

Patent Holdup, the ITC, and the Public Interest¹

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ABSTRACT

Patent assertion entities (PAEs), or patent “trolls,” use the threat of an injunction to hold up product producing companies in patent suits. The Supreme Court’s 2006 eBay decision largely ended that practice, at least in district court. But it has had the unintended consequence of driving PAEs to a different forum, the International Trade Commission (ITC), in hopes of obtaining an injunction no longer available in district court. In this paper, we document that trend, which is dramatic. Increasingly, cases filed at the ITC are filed by PAEs against an entire industry, often information technology.

eBay’s discretionary test for injunctive relief doesn’t apply at the ITC. And because the ITC can’t award damages, it has tended to grant injunctions as a matter of course. But as we suggest in this paper, the Commission has more power to adjust the remedy it grants than previously recognized. We think it should use that flexibility to limit exclusion orders in circumstances where the patentee can hold up defendants. Delays in implementing the exclusion order and grandfathering in existing products can avoid holdup problems. Bond and penalty provisions can ensure that patentees are compensated for ongoing infringement during these transition periods. If it uses its discretion wisely, the ITC can ensure that patentees are compensated without falling victim to the patent holdup problem that has beset district courts.

¹ © 2012 Colleen V. Chien & Mark A. Lemley. An earlier version of this article provided the basis for our Editorial, *Patents, Smartphones, and the Public Interest*, NEW YORK TIMES.COM, Dec. 9, 2011, <http://www.nytimes.com/2011/12/13/opinion/patents-smartphones-and-the-public-interest.html>. Thanks to Stefani Schanberg and participants at the 2012 Hastings IP Law Workshop and at the Stanford-Samsung Conference on Patent Enforcement for helpful discussions, RPX Corp. for sharing litigation data and to Gerald Wong, Lee-Ann Smith Freeman and Wade Malone for research assistance.

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Introduction

In the wake of the Supreme Court's 2006 *eBay* decision,⁴ courts rarely grant injunctions to parties that assert patents as a business model, aka "patent trolls" or patent-assertion entities (PAEs).⁵ This is a good thing. By requiring courts to consider the equities of a particular case before granting an injunction, the Court in one fell swoop wiped out much of the holdup problem that had beset the patent system. As Justice Kennedy put it in his *eBay* concurrence, this hold up problem results when "an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent."⁶

But there is another jurisdiction that routinely grants injunctions in patent cases: the International Trade Commission (ITC). In the past five years, both PAEs and product-producing companies have flocked to this once-obscure trade agency, generally in search of an injunction or the credible threat of one. The result – a double standard in patent law about when an injunction is available – has drawn the scrutiny and in some cases, fury of mainstream media,⁷

⁴ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

⁵ Colleen Chien, *From Arms Race to Marketplace: The Complex Patent Ecosystem and Its Implications for the Patent System*, 62 HASTINGS L.J. 297, 328 (2010) (PAEs are "entities . . . focused on the enforcement, rather than the active development or commercialization of their patents."), *Accord*, FTC *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* 8 n.5 (Mar. 2011), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>. We use this term at various points, rather than the more popular (and more all-encompassing) "non-practicing entity (NPE)" because, as our data show, various types of non-practicing entities do get injunctions after *eBay*, though PAEs rarely do.

⁶ *eBay*, *supra* note ___, at 400.

⁷ See, e.g. Editorial, *The Android Patent War*, WALL ST. J., Dec. 5, 2011 (calling a ITC patent case "a weapon of protectionist mass destruction against competitors"; and section 337 a "larger absurdity...that could do great economic harm to one of the few U.S. industries that is growing rapidly."), available at <http://online.wsj.com/article/SB10001424052970204826704577074523539966352.html> (subscription

academics,⁸ practitioners,⁹ and the Federal Trade Commission.¹⁰ The practical effect has been to undo much of the desirable effect of *eBay*.

The impact of an ITC “exclusion order” preventing importation of a product can be dramatic. To comply with such an order, a company must pull its products from the market and redesign them. Many household devices including computers, flat-screens, GPS devices, and printers have been the subject of an ITC 337 investigation.¹¹ In 2011, every major smartphone maker was embroiled in a dispute there.¹² As the impact of this trade agency has grown,

required); Editorial, *Smoot-Hawley's Revenge*, WALL ST. J., Aug. 23, 2006, at A10 (describing section 337 as “potentially crippling the U.S. wireless-phone industry”); and Chien and Lemley, *supra* note 1.

⁸ See, e.g. Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 68 (2008); Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 21 HARV. J.L. & TECH. 457 (2008); Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 FLA. L. REV. 529 (2009); Thomas A. Broughan, III, *Modernizing § 337's Domestic Industry Requirement for the Global Economy*, 19 FED. CIR. B.J. 75, 78-79 (2009) ; Taras M. Czebiniak, *When Congress Gives Two Hats, Which Do You Wear? Choosing Between Domestic Industry Protection and IP Enforcement in § 337 Investigations*, 26 BERKELEY TECH. L.J. 93 (2011) (all noting and describing the divergence in federal court and ITC rules and law). See also Eric L. Lane, *Keeping the LEDs on and the Electric Motors Running: Clean Tech in Court after Ebay*, 2010 DUKE L. & TECH. REV. 013 (2010) (noting that non-practicing patentees have moved to the ITC to avoid eBay and warning that this may "adversely affect clean technologies").

⁹ See, e.g. Edward H. Rice & Marina N. Saito, *After Ebay: Can the ITC Offer Better Remedies than District Courts?*, 19 INTELL. PROP. LITIG. __ (2008), available at <http://www.loeb.com/afterebaycantheitcofferbetterremediesthandistrictcourts/>, James R. Klaiber & Ethan Lee, *Seeking Disapproval: Presidential Review Of ITC Orders*, LAW360, Nov. 10, 2011, <http://www.law360.com/articles/283970/seeking-disapproval-presidential-review-of-itc-orders>.

¹⁰ FTC, *supra* note 5, at 239 (noting that the “discrepancy [between the ITC and District Court injunction standards] has generated some concern that the ITC may attract suits by patentees that are less likely to obtain injunctions in district court, potentially leading to hold-up and the resulting consumer harm ”.)

¹¹ See, e.g. *In re Computer Products, Computer Components and Products Containing Same*, USITC Pub. 4183, Inv. No. 337-TA-628 (September 2010), available at 2009 ITC LEXIS 2440 (computers); *Certain Flat Panel Digital Televisions and Components Thereof*; Notice of Investigation, 75 Fed. Reg. 51286 (Aug. 19, 2010) (flat screens) ; *In re Certain GPS Chips, Associated Software and Systems, and Products Containing Same*, USITC Pub. 4133, Inv. No. 337-TA-596 (March 2010), available at 2010 ITC LEXIS 582 (GPS devices); *In re Certain Inkjet Ink Supplies and Components Thereof*, Order No. 14, Inv. No. 337-TA-730 (Aug. 3, 2011), available at 2011 ITC LEXIS 1702 (printers).

¹² *Certain Electronic Devices with Communication Capabilities, Components Thereof*; Notice of Institution of Investigation; Institution of Investigation Pursuant to 19 U.S.C. 1337, 76 Fed. Reg. 60870

mainstream commentators have warned that the ITC “could do great economic harm to [] U.S. industries that [are] growing rapidly,”¹³ and calls for legislative reform of the ITC have intensified.¹⁴ Driving these calls is the perception that the ITC’s exclusion orders are “economically destructive and inflexible.”¹⁵ The ITC can’t award damages; it can only exclude products in what, indeed, might seem to be an all-or-nothing affair.

We believe, however, that the Commission has more flexibility in remedies than has been previously recognized. In this paper, we offer a new suggestion for how the ITC can use

(Sept. 30, 2011) (HTC Corp. is the complainant and Apple Inc. is the respondent); Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers; Notice of Institution of Investigation; Institution of Investigation Pursuant to 19 U.S.C. 1337, 76 Fed. Reg. 45860 (Aug. 1, 2011) (Samsung is the complainant and Apple is the respondent); *In re* Certain Mobile Telephones and Modems, Order No. 17, Inv. No. 337-TA-758 (Aug. 11, 2011), *available at* 2011 ITC LEXIS 1557 (terminated ITC investigation involving Sony and LG); *In re* Certain Mobile Devices, Associated Software, and Components Thereof, Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond, Inv. No. 337-TA-744 (Dec. 20, 2011) (Motorola is the respondent); Certain Wireless Devices with 3G Capabilities and Components Thereof; Notice of Institution of Investigation, 76 Fed. Reg. 54252 (Aug. 31, 2011) (Nokia is the respondent); *In re* Certain Mobile Telephones and Wireless Communication Devices Featuring Digital Cameras, and Components Thereof, Notice of Commission Determination to Affirm in Part and Reverse in Part a Determination of No Violation of Section 337; Remand of the Investigation for Further Proceedings, Inv. No. 337-TA-703 (Jun. 30, 2011) (on going ITC investigation involving Research in Motion). Major mobile handset and smartphone makers, based upon market share, include Apple, Samsung, Sony, LG, Motorola, Nokia, and RIM. *see* Global Smartphone Sales for 2011 Pegged at 420 Million Units, Infographic, <http://www.infogenra.com/global-smartphone-sales-for-2011-pegged-at-420-million-units-infographic.html> (last visited Feb. 21, 2012).

¹³ *The Android Patent War*, *supra* note ____.

¹⁴ Bernard Cassidy, *Follow the Money – Will the ITC Lose its Patent Jurisdiction?*, IP Watch Dog Blog Post, *available at* <http://www.ipwatchdog.com/2012/02/27/follow-the-money-will-the-itc-lose-its-patent-jurisdiction/id=22470/> (describing the "ITC Working Group" as a lobby "that wants to block the International Trade Commission (ITC) from hearing patent infringement cases brought by “non-practicing entities” — i.e., patent holders like universities, independent inventors, and others who license their patents for manufacturers to commercialize. And second, it wants to weaken the ITC’s power to block the importation of infringing products into the U.S."); Michael A. Ladra, *Domestic Disturbances: The Latest from the ITC on Establishing a Domestic Industry*, 11-12 (2011) Presentation to the Advanced Patent Law Institute Palo Alto, Dec ____ 2011, program *available at* http://www.utcle.org/conference_overview.php?conferenceid=931#FullProgram (describing fall 2011 efforts to lobby Congress to change the ITC). *But see* Chien & Lemley, *supra* note 1 (arguing that legislative reform of the ITC is not necessary).

¹⁵ *The Android Patent War*, *supra* note ____.

its statutory authority to decide both whether to grant an injunction and how to structure its remedies to minimize harm to the public interest.

In the sections that follow, we review the rules the ITC uses in deciding whether to grant an injunction.¹⁶ While the Federal Circuit has held that *eBay*'s equitable test does not apply to the ITC, the agency must consider a variety of factors relating to the effect of any injunction on the public. To date the ITC hasn't given these public interest factors many teeth. We think the ITC should pay more attention to the public interest, learning from prevailing economic theory in assessing the impact of patent injunctions on consumers and competitive conditions.

In a common situation, for example, the patent covers a small part of a larger product and the defendant's infringement was inadvertent. If the infringing feature is covered by an industry standard,¹⁷ removing it is tantamount to disabling the core function of the product.¹⁸ Consumers are harmed when a big product is eliminated from the market because of a small patent, and competition is distorted as a large number of lawful components and features are blocked from the market along with the infringing one.¹⁹

¹⁶ The ITC offers three forms of injunctive relief: a limited exclusion order, a general exclusion order, and a cease and desist order. 19 U.S.C. § 1337.

¹⁷ On the prevalence of industry standards in many industries, see Mark A. Lemley, *Intellectual Property Rights and Standard-Setting Organizations*, 90 CALIF. L. REV. 1881 (2002).

¹⁸ For example, Innovatio IP Ventures has sued several companies including Cisco, Motorola, Accor North America, Caribou Coffee Co., Inc., Cosi, Inc., Dominick's Supermarkets, Inc., LQ Management LLC, Meijer, Inc., and Panera Bread Company on patents directed at the IEEE 802.11 standards, or "Wi-Fi". If a wireless router does not comply with this standard, it cannot provide wireless services. See Defendants' Motion to Stay This Matter Pending Resolution of Cisco Systems, Inc. and Motorola Solutions, Inc. v. Innovatio IP Ventures, LLC, Case No. 1:11-CV-00425 (D. Del.) at 1, 3, *Innovatio IP Ventures, LLC v. ABP Corporation, et al.*, No. 1:11-cv-01638 (N.D. Ill. Jun. 15, 2011), available at [http://vmo-blog.com/files/106598-99438/Innovatio_Ventures_\(Customers_Motion_to_Stay\).pdf](http://vmo-blog.com/files/106598-99438/Innovatio_Ventures_(Customers_Motion_to_Stay).pdf).

¹⁹ Lemley & Shapiro, *supra* note __ (demonstrating the holdup cost in this situation).

In another common situation, a patent holder brings a case against a large number of product companies, threatening to hobble an entire industry. An injunction would exclude a large number of participants from the marketplace and dramatically reduce competition.

In each of these scenarios, the harm to consumers and competition from an exclusion order is greater than the contribution made by the individual infringing component. One way for the ITC to address these harms is to decline to award exclusion orders at all. But that would leave the patentee without a remedy, in the ITC at least. Alternatively, the ITC could issue exclusion orders but structure them to ameliorate the harms to competition and consumers. In this paper, we discuss three methods of structuring injunctions: tailoring injunction scope,²⁰ staying injunctions, and bonding.

We think these new forms of structuring give the ITC a previously-unappreciated flexibility in ordering remedies. In a case where a design-around is possible, for example, awarding an injunction but delaying its start could deter infringement in a way that minimizes disruption to consumers and the holdup to manufacturers.²¹ And it could do so without interfering with patentee incentives; patentees can seek damages in federal court for infringing sales in addition to bringing a case in the ITC, and if the patent truly was essential, the patentee could obtain an injunction after the stay expired. In cases where the patentee seeks financial relief during the stay period, the Commission could potentially extend the terms of the bond it normally sets during the Presidential Review period to compensate for the entire stay period.

²⁰ The proper scope of patent injunctions has come under greater scrutiny recently. *See, e.g.*, *Tivo Inc. v. Echostar Corp.*, 646 F.3d 869 (Fed. Cir. 2011) (en banc); John Golden, *The Scope of Patent Injunctions*, ___ TEX. L. REV. __ (forthcoming 2012).

²¹ *See, e.g.*, Lemley & Shapiro, *supra* note __ (showing that a stay in injunctive relief to allow design-arounds significantly reduces holdup risk).

In some cases more significant limits on exclusion orders may be warranted. Suppose, for instance, the infringing component is small but, because of the nature of the product, the potential impact of an exclusion order on downstream products, related products, and third parties is large. In such a case, the Commission could tailor the scope of the injunction to reduce harm to competition, for example by grandfathering in existing products so that design-arounds need apply only to future products. Best of all, the ITC already has the power to use the injunction levers we have identified in these situations.²² In this paper, we explain why, and develop the economic grounding for how it could do so.

Alternatively, if the ITC won't use its existing public interest authority (or if the Federal Circuit won't let it), Congress could easily act to apply *eBay* to the ITC. But we don't think that is necessary. The ITC has proven to be adaptive to the changing conditions of competition. The agency is in a better position to adapt its decision-making to the particular facts before it than is the Federal Circuit or Congress, which has already given the ITC the authority to take into account consumers and competition. The ITC, in short, has the power to take account of the effect of an exclusion order on competition; it just needs to use that power.

We realize that a move away from the current practice of issuing automatic, immediate, and comprehensive exclusion orders does have a downside: It decreases the predictability that has long been associated with the ITC and the clarity it provides to the parties about the remedy. We think the loss of certainty is outweighed by the benefits to competition of tailoring remedies to the facts of the case. But there are ways to reduce the uncertainty problem. Early

²² And indeed, the limited times that they have done so before is described In Part III *infra*.

proceedings on issues of public interest and remedy²³ could be used to provide notice to litigants about the likelihood and form of an exclusion order should the patentee prevail.

The paper proceeds as follows. In Part I we examine how *eBay* has affected patent law and practice, both in the district courts and in the ITC. In particular, our empirical study shows a major shift to the ITC, particularly by NPEs filing complaints against multiple defendants. In Part II, we review the public interest factors that the ITC must consider before awarding an exclusion order and describe how the economic theory of holdup maps to these factors. In Part III, we discuss options for tailoring injunctive relief available to the ITC.

I. The Rush to the ITC

The Supreme Court's 2006 decision in *eBay v. MercExchange*²⁴ represented a sea change in patent litigation. Before 2006, a patentee that won its case was entitled to an injunction that prevented the defendant from selling its product. The result was a significant problem with patent holdup. Patentees who owned rights in very small pieces of complex, multi-component products could threaten to shut down the entire product. As a result, even a very weak patent could command a high royalty in settlement from defendants afraid of gambling their entire product on a jury's decision.²⁵

eBay changed all that. Under *eBay*, district courts have to consider four equitable factors before granting an injunction, including whether money damages are adequate, and

²³ Using a motion analogous to a summary judgment motion in district court, parties in the ITC can move for "summary determination" on any issue in a Section 337 investigation. 19 CFR § 210.18.

²⁴ *eBay*, *supra* note ____.

²⁵ Lemley & Shapiro, *supra* note ____.

whether public and private interests, on balance, favor granting or denying the injunction.²⁶

Justice Kennedy, concurring in *eBay*, emphasized that injunctions might be inappropriate when the plaintiff licenses the patent non-exclusively or when the patent covered only a small component of the product.²⁷

Some version of the “four-factor test” standard has been used by courts for centuries to decide whether or not to award an injunction.²⁸ The Supreme Court has repeatedly said an injunction is an “extraordinary remedy.”²⁹ In the marketplace, an injunction disrupts the free flow of goods and services, impacting not only the parties but the public who must abruptly adjust to life without the enjoined product or service.³⁰ By its terms, *eBay* prescribes injunctive relief as a last-ditch option – justified only when the harm cannot be fixed by money and the hardships and public interest, carefully considered, weigh in favor of granting it.

²⁶ *eBay*, 547 U.S. at 391.

²⁷ *eBay*, 547 U.S. at 400 (“When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”).

²⁸ See DOUGLAS LAYCOCK, *THE DEATH OF THE IRREPARABLE INJURY RULE* 20-21 (1991) (tracing the origins of the “irreparable injury rule” to the specialization in remedies by the courts of chancery and the courts of law in 14th century Britain and its transmission to the courts of the colonies and United States in the 17th century); *But see* DOUGLAS LAYCOCK, *MODERN AMERICAN REMEDIES* __ (Aspen Publishers, Inc. 2002) (criticizing the majority’s characterization of the traditional four-factor test as the norm in remedies law).

²⁹ *Weinberger v. Romero-Barcelo*, 456 U.S. 305 (1982), citing *Railroad Comm’n v. Pullman Co.*, 312 U.S. 496, 500 (1941). See also, *Rizzo v. Goode* 423 U.S. 362 (1976) (“the principles of equity [] militate heavily against the grant of an injunction except in the most extraordinary circumstances.”).

³⁰ See, e.g. *Paice v. Toyota*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at *16 (E.D. Tex. Aug. 16, 2006) (discussing potential “disruption” of an injunction against Toyota’s hybrid cars to car dealers, parts suppliers, and related business entities). *Broadcom v. Qualcomm*, No. SACV 05-467 JVS (RNBx), 2007 U.S. Dist. LEXIS 97647, at *15, *20 (C.D. Cal. Dec. 31, 2007) (citing the harm to the public caused by the removal of a beneficial, cutting edge service from millions of customers and tailoring the injunction to allow for an 18-month transition period).

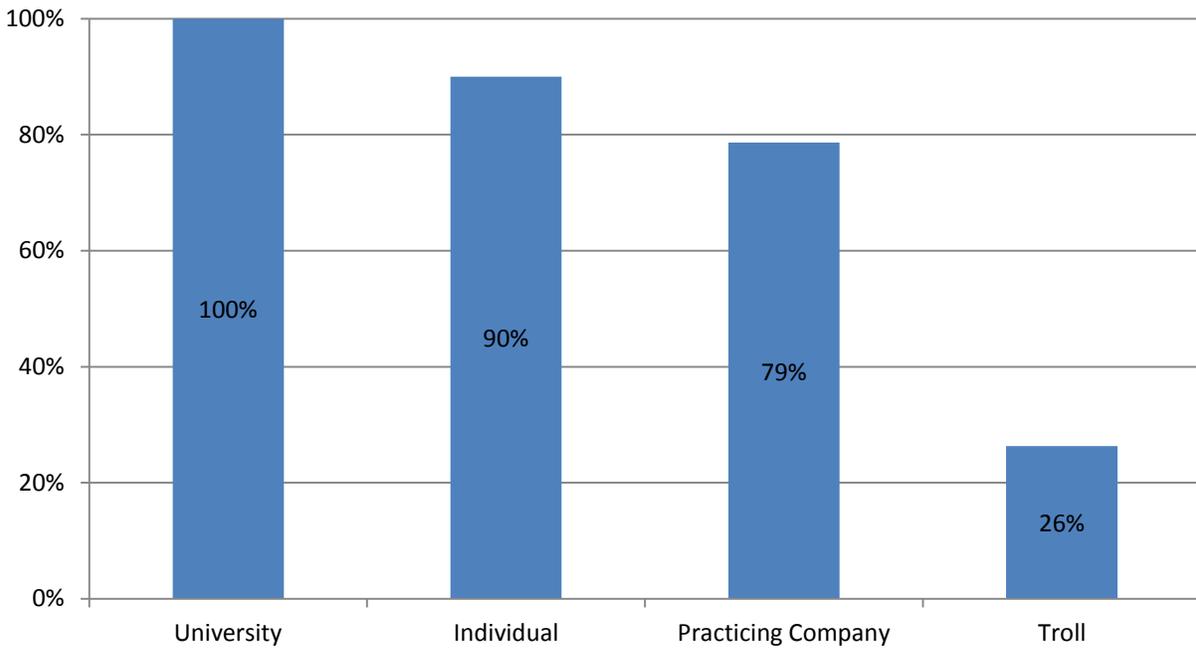
Commentators predicted *eBay* would make it harder to get injunctions. They were right. Based on our review of district court decisions since *eBay*,³¹ about 75% of requests for injunction have been granted,³² down from a 95% rate pre-*eBay*.³³ There is more to the story, of course. The courts are distinguishing between different types of entities and their different types of behavior. While individuals and universities have actually enjoyed higher than average injunction grant rates, PAEs have been denied injunctions about three-quarters of the time. (Figure 1)

³¹ There were 191 requests post-*eBay* through August 11, 2011. List of cases and outcomes initially sourced from the excellent website www.patstats.org, and obtainable at <http://patstats.org/Patstats2.html> ("Post-*eBay* Permanent Injunction Rulings in Patent Cases to 8-11-11") and checked by a research assistant. In a few instances that we checked, the injunction was later vacated due to a change in the court's liability determination. However, because the reasoning of the court was not challenged by this later determination, we kept the cases and the court's decision on injunction in the database.

³² *Accord*, FTC Evolving Marketplace Report, at 217 (reporting an injunction rate of 72-77%).

³³ Steve Malin and Ari Rafilson, *Injunctive Relief after eBay v. MercExchange*, Presentation to the AIPLA 2007 Annual Patent Law Committee, available at www.foley.com/files/tbl_s31Publications/FileUpload137/4541/InjunctiveReliefAftereBay.pdf (describing the pre-*eBay* injunction rate at about 95%).

Figure 1: post-Ebay District Court Injunction Rates by Plaintiff Type³⁴



³⁴ Source: authors' analysis, based on cases taken from May 16, 2006 to August 11, 2011. We used Patstats.org for the list of cases and outcomes, and PACER, Lex Machina, Lexis and Westlaw for the decisions. We profiled the plaintiffs based on the methodology we have previously described in Colleen Chien, *Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents*, 87 N.C. L. Rev. 1571, 1593-1599 (2009). We categorized CSIRO as a university although others may classify them as a troll because of their active engagement in the development and transfer of technology.

Category	Grant Rate	Granted	Denied	Total
University/ Research Org	100%	3	0	3
Individual	90%	9	1	10
Practicing Company	79%	12 5 ⁶ ³⁵	3 4 ³	159
PAEs ³⁶	26%	5 ³⁷	14	18

These results may seem surprising, particularly our finding that certain non-practicing entities have been more successful than practicing companies at getting injunctions,. Based on our analysis of post-*eBay* district court decisions, however, we found that courts, based on a variety of fact patterns, have reached results that are remarkably consistent with each other. When practicing companies have been denied an injunction, it's because they aren't practicing the particular patent they've asserted,³⁸ for example. Or they can't show irreparable harm because it's a multiple-competitor market, and it therefore can't be assumed that defendant's gains have come at plaintiff's expense.³⁹

³⁵ This category includes cases brought by i4i, LP and US Philips Corp., the patent subsidiaries of operating companies i4i, Inc. and Koninklijke Philips Electronics N.V. (Royal Philips Electronics), respectively. See U.S. Philips Corp. v. Iwasaki Elec., Ltd., 2006 U.S. Dist. LEXIS 71276 (S.D.N.Y. Sept. 28, 2006) ("The Local Rule 1.9 Statement filed by U.S. Philips reveals that there is a public affiliate known as 'Koninklijke Philips Electronics N.V.'"); see U.S. Philips Corp. v. Iwasaki Elec. Co., 505 F.3d 1371, 1373 (Fed. Cir. 2007) ("U.S. Philips Corporation is 'an IP holding company on behalf of . . . the overall Philips organization' and has no employees.").

³⁶ We classified as "PAEs" entities that, based on the pleadings and internet research, we believe used patents primarily for enforcement purposes, rather than to transfer or commercialize technology. See Chien, *Of Trolls*, supra note ___, at 1578 (defining an NPE as a "corporate patent enforcement entity that neither practices nor seeks to develop its inventions.") Accord, Chien, *Arms Race*, supra note ___, at Abstract (defining as a patent assertion entity as an that primarily uses patents to obtain license fees, rather than transfer or commercialize technology.).

³⁷ The reasoning of these cases is described *infra* note ___.

³⁸ Ricoh v. Quanta, No. 06-cv-462-bbc, 2010 U.S. Dist. LEXIS 38220, at *3-4 (W.D. Wis. Apr. 19 2010); case described in the press under the headline "Ricoh gets the Troll Treatment." http://thepriorart.typepad.com/the_prior_art/2010/04/ricoh-v-quanta.html.

³⁹ See, e.g. Advanced Cardiovascular v. Medtronic Vascular, 579 F. Supp. 2d 554, 559-560 (D. Del. 2008); Bosch v. Pylon, 748 F. Supp. 2d 383, 408 (D. Del. 2010); LG Elec. USA Inc. v. Whirlpool Corp., No. 08-234-GMS, 2011 U.S. Dist. LEXIS 70963, *47-48 (D. Del. Jul. 1, 2011).

Conversely, universities, who do not practice their own patents, nonetheless have been able to get injunctions by suing on behalf of their exclusive licensees who are in fact practicing the patent.⁴⁰ Of all groups, PAEs are the least likely to get an injunction, and by and large have succeeded in their requests only when the defendant has failed to object.⁴¹ In the single case we found since eBay where a no-longer-practicing company sued and succeeded in getting a contested injunction, the court cited its belief that the patent would be sold to a manufacturer.⁴²

Most of the attention given *eBay* has focused on the first two prongs: irreparable harm and adequate remedy at law.⁴³ Competitive considerations have predominated: courts have been willing to grant injunctions when the defendant's infringement credibly threatens the

⁴⁰ *Emory University v. Nova Biogenics, Inc.*, No. 1:06-CV-0141-TWT, 2008 U.S. Dist. LEXIS 57642, *3-4 (N.D. Ga. Jul. 24, 2008); *Johns Hopkins v. Datascope*, 513 F. Supp. 2d 578, 581 (D. Md. 2007).

For a discussion of universities as non-practicing entities, see Mark Lemley, *Are Universities Patent Trolls?*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 611 (2008) (arguing that they aren't).

⁴¹ PAEs obtained five injunctions since eBay, in the following cases: *Acticon Techs. v. Heisei Elecs. Co., Ltd.*, 2008 U.S. Dist. LEXIS 8978 (S.D.N.Y. Feb. 5, 2008) (defendant failed to object to Magistrate judge's report, therefore the Court adopted the Magistrate's findings); *Antonious v. Merchs. of Golf, Inc.*, 2011 U.S. Dist. LEXIS 3332 (C.D. Cal. Jan. 5, 2011) (defendant's failure to respond resulted in default judgment and the entering of an injunction); *PB&J Software LLC v. Cucku, Inc.* (Cucku consented to entry of final judgment for injunctive relief); *Systemation Inc. v. Production Prod. Inc.* (injunction entered because two parties settled). *Joyal Prods. v. Johnson Elec. North Am., Inc.*, 2009 U.S. Dist. LEXIS 15531 (D.N.J. Feb. 26, 2009) (Joyal was not an on-going business and looked to sell its patent; failure to grant an injunction would severely affect the sale value of the patent) *but see Voda v. Cordis*, No. CIV-03-1512-L, 2006 U.S. Dist. LEXIS 63623, *18-19 (W.D. Okla. Sept. 5, 2006) (harm to right to exclude is not enough to justify an injunction), *aff'd in relevant part*, 536 F.3d 1311 (Fed. Cir. 2008).

⁴² *Joyal Products v. Johnson Elec. North America*, No. 04-5172 (JAP), 2009 U.S. Dist. LEXIS 15531, *30-31 (D.N.J. Feb. 26, 2009) (ailing company plaintiff Joyal's patents would be worth less in the marketplace if unable to/incapable of excluding others, and "the most likely purchaser of the patent would be a manufacturer"); *but see Voda v. Cordis*, No. CIV-03-1512-L, 2006 U.S. Dist. LEXIS 63623, *18-19 (W.D. Okla. Sept. 5, 2006) (harm to right to exclude is not enough to justify an injunction), *aff'd in relevant part*, 536 F.3d 1311 (Fed. Cir. 2008).

⁴³ It is hard to come up with circumstances that would distinguish irreparable injury from the absence of an adequate remedy at law.

market share,⁴⁴ reputation,⁴⁵ or business model⁴⁶ of the plaintiff, and unwilling to grant injunctions when these harms are absent.⁴⁷ Predicted loss of market share, reputation and

⁴⁴ In the following cases, the court cited the indicated market-share related reason when deciding to grant the injunction: *i4i LP v. Microsoft*, 670 F. Supp. 2d at 599-601 (citing injury to market share, brand); *Wald v. Mudhopper*, No. CIV-04-1693-C, 2006 U.S. Dist. LEXIS 51669, *16 (W.D. Okla. Jul. 27, 2006) (market share, damage to reputation); *Global Traffic Technologies LLC v. Tomar*, No. 05-756 MJD/AJB, Findings of Fact, Conclusions of Law, and Order for Injunctive Relief (D. Minn. 2008), <https://lexmachina.com/cases/9356/documents/278997.pdf> (market share, customer relationships); *Broadcom v. Qualcomm*, 2007 U.S. Dist. LEXIS 97647 at *16 (market share in the market for design wins); *Global Traffic Technologies, Emory, Johns Hopkins* (all citing competition including in a two-competitor market); *see also* *Advanced Cardiovascular v. Medtronic Vascular*, 579 F. Supp. 2d at 558 (Injunctions usually granted in scenarios where there is two-competitor market).

⁴⁵ *See, e.g.* *CSIRO v. Buffalo*, 492 F. Supp. 2d 600, 604 (E.D. Tex. 2007), *vacated and remanded on other grounds*, 542 F.3d 1363 (Fed. Cir. 2008) (harm to reputation); *Emory*, 2008 U.S. Dist. LEXIS 57642 at *12-13 (harm to reputation and goodwill); *Johns Hopkins*, 513 F. Supp. 2d at 586 (harm to reputation).

⁴⁶ *See, e.g.* *Judkins v. HT Window*, 704 F. Supp. 2d 470, 477 (W.D. Pa. 2010) (exclusive licensor would experience harm to business relationships); *ReedHycalog, LP v. Diamond*, No. 6:08-CV-325, 2010 U.S. Dist. LEXIS 83011, *35-36 (E.D. Tex. Aug. 12, 2010) (disruption to P's business and licensing and pricing strategy); *Joyal v. Johnson*, 2009 U.S. Dist. LEXIS 15531 at *30-31 (denial of injunction would decimate the value of the patent in planned asset sale).

⁴⁷ In each of these cases the following factors were cited in the denial of the plaintiff's request for injunction: *Advanced Cardiovascular v. Medtronic Vascular*, 579 F. Supp. 2d at 559; *Bosch v. Pylon*, 748 F. Supp. 2d at 408; *LG Elec. USA v. Whirlpool*, 2011 U.S. Dist. LEXIS 70963 at *49; *Sundance v. Demonte*, No. 02-73543, 2007 U.S. Dist. LEXIS 158, *8 (E.D. Mich. Jan. 4, 2007) (all citing presence of a multiple-competitor market); *Nichia v. Seoul Semiconductor*, No. 06-0162 MMC, 2008 U.S. Dist. LEXIS 12183, *5 (N.D. Cal. Feb. 7, 2008) (no loss of market share, reputation or brand); *Ricoh*, 2010 U.S. Dist. LEXIS 38220 at *3-4 (plaintiff not in competition with defendant because plaintiff does not practice invention); *Hynix v. Rambus*, 609 F. Supp. 2d 951, 984-985 (N.D. Cal. 2009) (no harm to reputation, but harm to defendant's business); *Telcordia v. Cisco*, 592 F. Supp. 2d 727, 747 (D. Del. 2009) (no evidence of lost sales, licensing or R&D); *Calcar v. Honda*, No. 06cv2433 DMS (CAB), 2008 U.S. Dist. LEXIS 106476, *2-3 *(S.D. Cal. Nov. 18, 2008) (insufficient evidence of lost opportunities, reputation); *Paice*, 2006 U.S. Dist. LEXIS 61600 at *14 (unable to prove damage to market share or brand name); *WhitServe LLC v. Computer Packages, Inc.*, No. 3:06CV01935 (AVC), *Whitserve's Motion for Permanent Injunction* (D. Conn. 2011), <https://lexmachina.com/cases/9852/documents/4000013023.pdf> (no evidence of lost market share, customers, or goodwill); *Creative Advertising v. Yahoo! Inc.*, 674 F. Supp. 2d 847, 852 (E.D. Tex. 2009); *Enpat v. Budnic*, 773 F. Supp. 2d 1311, 1317 (M.D. Fla. 2011); *Orion IP v. Mercedes-Benz USA*, No. 6:05 CV 322, 2008 U.S. Dist. LEXIS 108683, *12 (E.D. Tex. Mar. 28, 2008); *Paice*, 2006 U.S. Dist. LEXIS 61600 at *13 (money damages adequate to compensate licensing company's loss).

goodwill are difficult to quantify and restore, making money damages inadequate.⁴⁸ Entities that don't operate in the market typically don't experience these types of harms.⁴⁹

The relationship between the patented invention and the enjoined product has also mattered in a number of cases. Following Justice Kennedy's suggestion, when the patented invention covers a small component of the defendant's product, courts have been less inclined to award an injunction.⁵⁰ Courts have also taken into account the impact on consumers, under the auspices of the public interest prong.⁵¹

Hundreds of district courts throughout the country, then, have engaged in the same exercise of considering whether an injunction is really justified in cases of patent infringement. Yet one decisionmaker has been exempt from doing so. The ITC, an administrative agency rather than Article III court, has declined to follow *eBay*, a practice that has been approved by the Federal Circuit.⁵² This apparent anomaly has a simple explanation: although the ITC applies

⁴⁸ *Emory*, 2008 U.S. Dist. LEXIS 57642 at *13.

⁴⁹ NPEs sometimes assert injury to their reputation resulting from the fact that the defendant used a product that turned out to be covered by the patent claims. *CSIRO v. Buffalo Tech.*, 492 F. Supp. 2d 600, 604 (E.D. Tex. 2007), *vacated*, 542 F.3d 1363 (Fed. Cir. 2008). This theory strikes us as wildly implausible. To the extent consumers are even aware of the patent and the fact that the defendant infringes it, it is hard to see how awareness of that fact will injure the NPE's reputation. If anything, the widespread use of the patentee's technology should enhance its reputation.

⁵⁰ *Ricoh*, 2010 U.S. Dist. LEXIS 38220 at *6 (small component of the overall product); *Sundance v. Demonte*, 2007 U.S. Dist. LEXIS 158 at *8 (patented tech is but one feature of the defendant's product); *z4 v. Microsoft*, 434 F. Supp. 2d 437, 441 (E.D. Tex. 2006) (in a small component scenario, damages are sufficient); *Broadcom v. Qualcomm*, 2007 U.S. Dist. LEXIS 97647 at *19-21 (tailoring the injunction to ameliorate the impact on consumers by providing time for design around). *Accord* Steve Malin & Ari Rafilson, *Empirical Analysis of Permanent Injunctions Following eBay*, presented at FTC Hearing: The Evolving IP Marketplace (Feb. 12, 2009), *available at* <http://www.ftc.gov/bc/workshops/ipmarketplace/feb11/docs/smalin.pdf>, at 29. (reporting a district court injunction rate of 0% when the invention was a "trivial component" of a product, as compared to 75% grant rate when the infringing feature was not a trivial component.).

⁵¹ *See, e.g. Amgen v. Hoffman-La Roche*, 581 F. Supp. 2d 160, 213 (D. Mass. 2008) (considering patient health, Medicare savings, and the public's interest in a robust patent system in its decision to grant an injunction).

⁵² *Spansion, Inc. v. ITC*, 629 F.3d 1331 (Fed. Cir. 2010).

patent law⁵³ to decide whether there has been an unlawful importation,⁵⁴ the Commission follows its own procedures and prescribes its own remedies. As the Federal Circuit explained in *Spanion*, “[there are] different statutory underpinnings for [] Section 337 actions and . . . district courts suits for patent infringement.”⁵⁵ As a result, the ITC neither hears counterclaims nor recognizes certain defenses to infringement,⁵⁶ and can’t award damages. These omissions were intended to speed things along, reflecting the original intent of the ITC to keep provide a special solution to the special problem of foreign infringement. Now that most technology products are manufactured overseas⁵⁷ and Congress has relaxed the domestic industry requirement, nearly every patentee can bring an ITC complaint and nearly every accused infringer is a potential ITC defendant, converting the ITC into a mainstream venue in which to file patent grievances.⁵⁸

⁵³ As well as other forms of intellectual property law; although the majority of 337 cases are patent cases. Collen Chien, *Patently Protectionist*, 50 WM & MARY L. REV. 63, 70 (2008) (patent cases make up 85% of the ITC’s § 337 docket and explaining why copyright and TM cases are less likely to be brought in the ITC). *But see* TianRui Group Company Limited v. U.S. International Trade Commission, No. 2010-1395, 2011 U.S. App. LEXIS 20607 (Fed. Cir. Oct. 11, 2011) (confirming that section 337 applies to imported goods produced through the exploitation of trade secrets), remarks of Deanna Okun, ITC 337 San Francisco Conference (commenting that there is no reason the ITC could not be expanded beyond intellectual property to include other sorts of unfair competition). The ITC has heard a handful of antitrust cases, and commentators have speculated that it could also be used for child labor and other violations. (Described, e.g. in Tom Schaumberg, ed. *A Lawyer’s Guide to Section 337 Investigations before the International Trade Commission* ABA-Intellectual Property Section, Chapter 17.A.2.) And one pending bill would give the ITC the authority to review efforts to shut down “rogue websites” for copyright infringement. OPEN Act, H.R. 3782 (2011).

⁵⁴ 19 U.S.C §1337(a).

⁵⁵ *Spanion*, 629 F.3d at 1359.

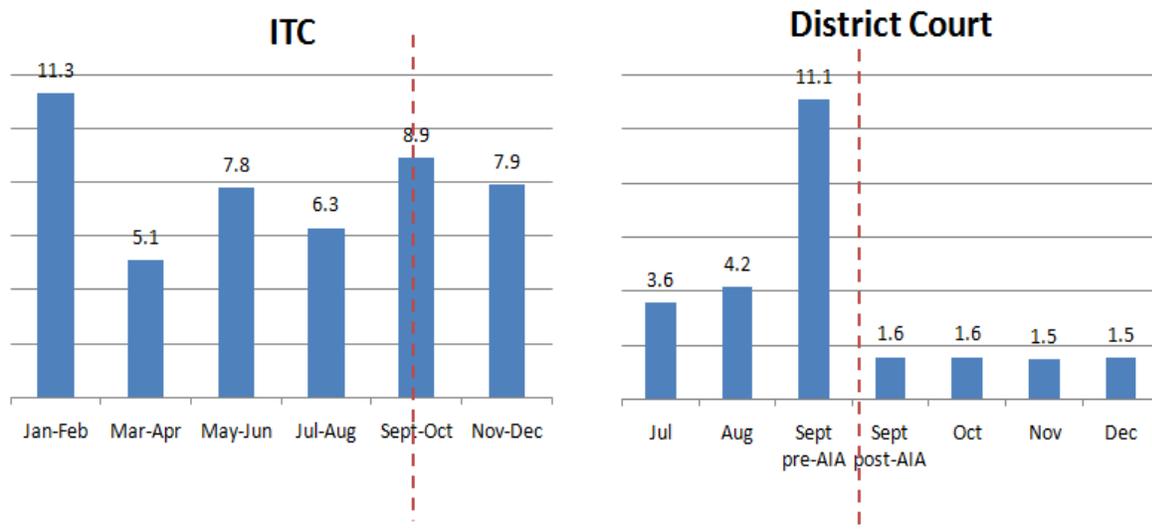
⁵⁶ *Kinik Co. v. Int’l Trade Comm’n*, 362 F.3d 1359, 1362 (Fed. Cir. 2004) (holding that 102(g)(2) does not apply in the ITC).

⁵⁷ *See, e.g.* Commission Decision in Personal Data and Mobile Communications Devices and Related Software TA-710-337 (“[T]o HTC’s knowledge, no smartphones ... are produced in the United States. Rather they are all manufactured overseas and imported in the United States.”) (Citing HTC Br. at 161).

⁵⁸ Figure 3 reports the growth in NPE cases at the ITC.

The statute’s history and structure limit its progress and adaptation to modern changes in the patent system. Legislative and judicial improvements made to patent law procedures and remedies simply don’t apply in the ITC. When Congress recently enacted a rule limiting the naming of multiple defendants in a patent infringement lawsuit,⁵⁹ for example, the reform did not extend to the ITC. While the number of defendants per case declined in the district court immediately following passage of the law, it has stayed steady in the ITC. (Figure 2)

Figure 2: 2011 NPE⁶⁰ Defendants/Case Pre and Post- AIA (red dashed line)



Data Source: RPX Corporation © See Appendix A for listing of ITC NPE cases.

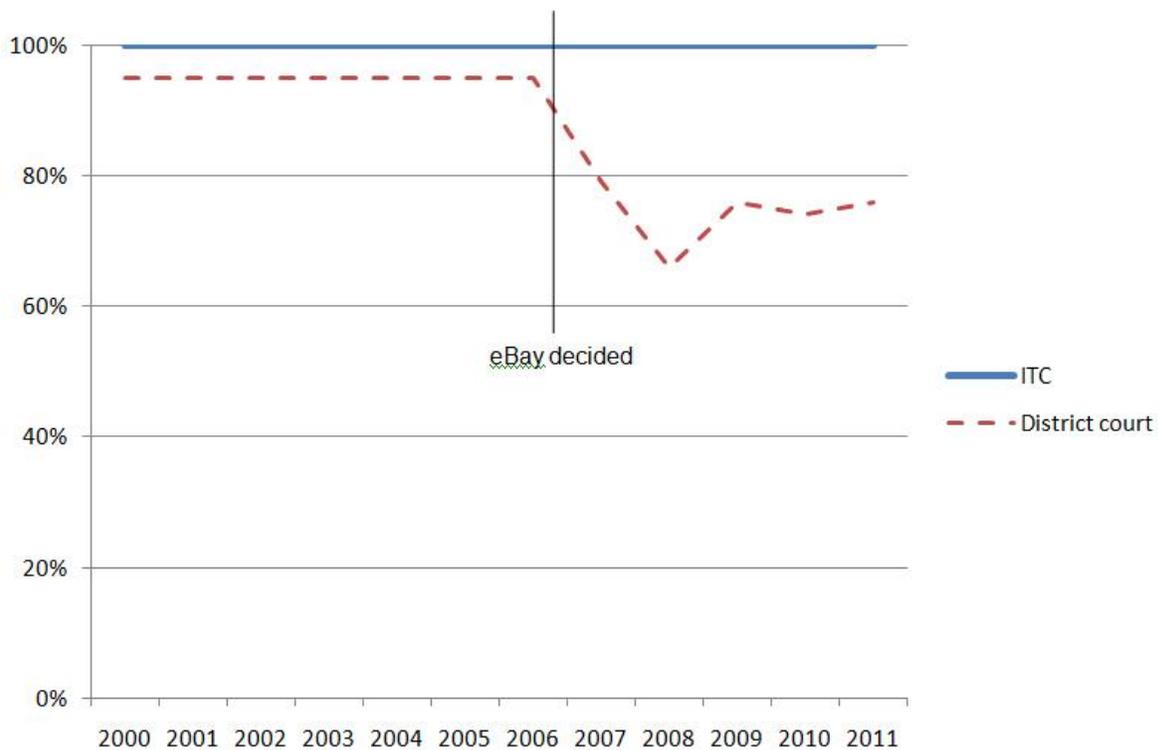
The most pointed rift has been created by *eBay*. While the overall injunction rate in the district court has declined to 75% since *eBay*, it has remained steady at 100% in the ITC over the

⁵⁹ See PUBLIC LAW 112–29—SEPT. 16, 2011. LEAHY–SMITH AMERICA INVENTS ACT § 19(d), 35 U.S.C. § 299 (limiting joinder of defendants to cases relating to the “same transactions, occurrences, or accused products.”).

⁶⁰ RPX Corp. defines NPEs as entities that have substantially no assets other than the patent and substantially no revenue other than licensing, which could include individuals and universities as well as patent assertion entities.

last five years. (Figure 3) The difference in grant rates is even more dramatic for NPEs and patent assertion entities – which, if they prevail, have only a one in four chance of getting an injunction in the district court, but, based on the ITC’s track record, are virtually guaranteed one there. This is in part because not only are the injunctions the preferred remedy at the ITC, they are the only remedy.⁶¹ An agency whose administrative law judges carry out investigations without juries, the ITC is not statutorily authorized to grant money damages.

Figure 3: Post-Ebay Injunction Rates in the ITC and District Court ⁶²



⁶¹ *Spansion*, 629 F.3d at 1358. (citing the statute’s legislative history for the proposition that “an injunction is the only available remedy for violations of Section 337.”).

⁶² Author analysis based on: *Injunctive Relief after eBay v. MercExchange*, Presentation to the AIPLA 2007 Annual Patent Law Committee, available at www.foley.com/files/tbl_s31Publications/FileUpload137/4541/InjunctiveReliefAftereBay.pdf (for pre-eBay injunction rate, of 95%) (see also, http://www.bakerbotts.com/file_upload/2011NovemberIPReporteBayVMercExchange.htm

The word has apparently gotten out, earning the ITC a reputation for being “a more advantageous forum for patent holders with a less stringent standard for obtaining injunctive relief”.⁶³ In particular, NPEs are flocking to the ITC (Figure 4).⁶⁴ In the years following eBay, the number of ITC investigations brought by NPEs has grown from 2 in 2006 to 16 in 2011 and the number of total respondents named in NPE cases has grown from 4 to 235.⁶⁵ Growth in ITC NPE⁶⁶ cases has outpaced the growth in ITC cases in general during this period, with the NPE share of all ITC cases growing from 7% to 25%,⁶⁷ and the number of NPE ITC respondents growing to over 50% of all ITC respondents.

(describing the district court injunction grant rate in the year prior to eBay as 100%)); Patstats.org post-eBay injunction database, *supra* note 31 (for post-eBay district court injunction rate); author’s own database of ITC cases developed in conjunction with Chien, *Patently Protectionist*, *supra* note 8, RPX Corp. database of ITC cases (for pre- and post-eBay ITC injunction rate).

⁶³ Albert B. Chen & Matthew Abbott, *Protecting Green Patents: District Court vs. ITC*, LAW360, Jan. 5, 2012, <http://www.law360.com/articles/295637/protecting-green-patents-district-court-vs-itc>.

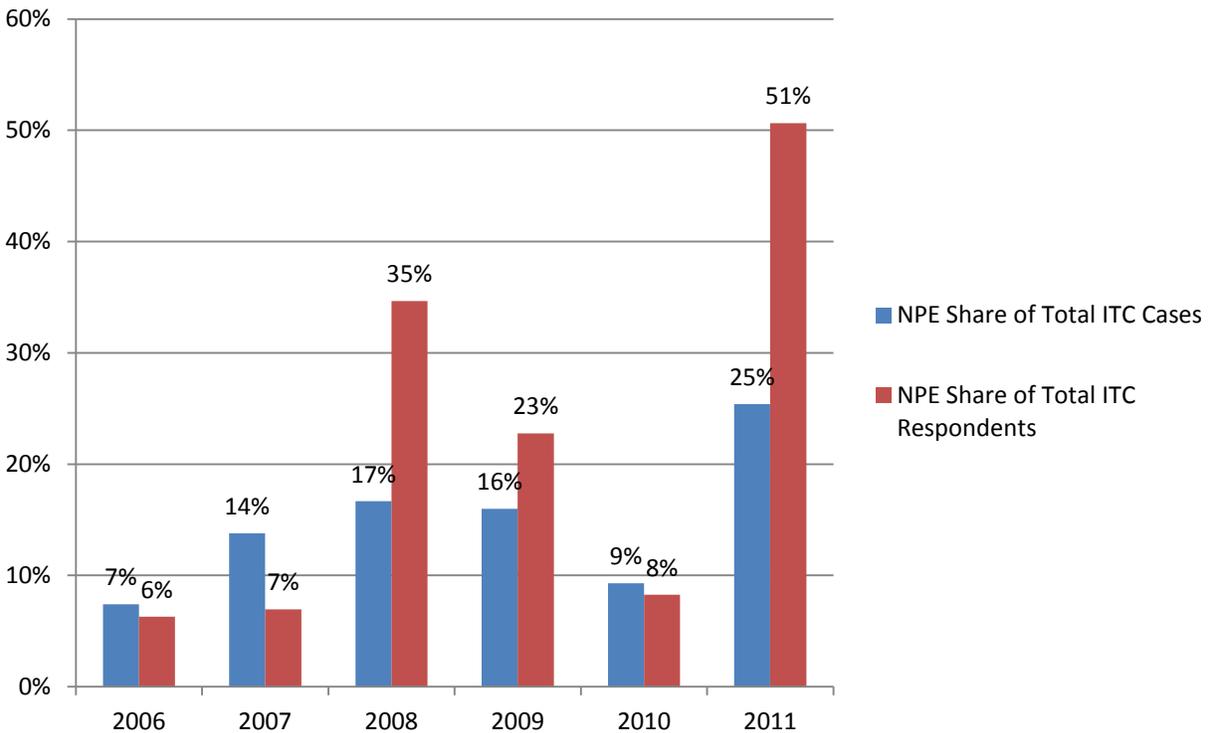
⁶⁴ *Accord* Robert D. Fram & Ashley Miller, *The Rise of Non-Practicing Entity Litigation at the ITC: The State of the Law and Litigation Strategy* (Jan. 5, 2011) (unpublished manuscript on file with the authors) (finding an increase in the number of ITC complaints brought by companies relying on their licensing activities in accordance with 19 U.S.C. § 1337(a)(3)(c) to show standing in the period from 13% in the 2000-2006 period to 27% from 2007-August 2010).

⁶⁵ See Appendix A (listing ITC NPE investigations since 2005).

⁶⁶ Category includes universities and individuals as well as patent assertion entities. See RPX Corp. definition of NPE described *supra* at note ____.

⁶⁷ 2 out of 27 ITC patent cases in 2006 and 16 out of 63 ITC patent cases in 2011 were brought by NPEs. The growth in ITC cases is somewhat surprising in light of the concern of some that the ITC’s *Kyocera* decision would result in a noticeable decline in ITC filings. This hasn’t happened. Chris Cotropia, *Strength of the International Trade Commission as a Patent Venue*, 20 TEX. INTELL. PROP. L. J. 1 (2011).

Figure 4: Growth in share and number of NPE⁶⁸ cases at the ITC



Source data of NPE designation: RPX Corporation © 2012

This divergence in remedies undoes the progress *eBay* represents.⁶⁹ Parties who win in the district court but were denied an injunction can avoid the beneficial effects of *eBay* by

⁶⁸ Category includes universities and individuals as well as patent assertion entities. See RPX Corp. definition of NPE described *supra* at note ____.

⁶⁹ It is also potentially illegal under international law. Statutory changes to the law in 1995 were meant to cure the statute of the advantages it gave to domestically-made goods – specifically a mandatory timetable, parallel proceedings against foreign manufacturers, and the inability of defendants to raise counterclaims – which a GATT panel found to be in violation of TRIPS. (See Report of the Panel, United States—Section 337 of the Tariff Act of 1930, ¶ 4.2, L/6439 (Nov. 7, 1989), GATT B.I.S.D. at 365/345 (1990), ¶ 5.20.) Under the logic of that case, that certain domestically made goods may be immune from injunctions while international ones are not could similarly be found to violate national treatment. *Accord*, Brian Kahin, CCIA submitted comment to the ITC's Notice of Proposed Rulemaking 75 FR 60671 (Oct. 1, 2010) on the taking of public interest evidence, summarized at <http://www.gpo.gov/fdsys/pkg/FR-2011-10-19/html/2011-26664.htm> (The CCIA suggests that the Commission adopt *eBay* in order to comply with United States obligations under Article III: 4 of the GATT, specifically, a GATT decision, United States--Section 337 of the Tariff Act of 1930 (Nov. 7, 1989).

refiling their cases.⁷⁰ The denial of an injunction request by a district court is no barrier to the grant of an exclusion order by the ITC. The result is an end-run around *eBay* that allows patent holders to block the defendant's product even without a district court injunction.

II. Exclusion Orders and the Public Interest

The ITC statute does not compel the Commission to grant exclusion orders. It states:

If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry.⁷¹

The Federal Circuit parses the statute to identify four separate factors. "The enumerated public interest factors include: (1) the public health and welfare; (2) competitive conditions in the United States economy; (3) the production of like or directly competitive articles in the United States; and (4) United States consumers."⁷²

Taken together, these factors might seem to give a fairly wide-ranging power to the ITC to consider things like patent holdup, the relationship between the patent and the ultimate

⁷⁰ *Cf. e.g. Paice LLC v. Toyota Motor Corp. (Paice II)*, 504 F.3d 1293, 1314 n.14 (Fed. Cir. 2007) and *Certain Hybrid Electric Vehicles and Components Thereof*, USITC Inv. No. 337-TA-688, Complaint (Oct. 5, 2009), EDIS Doc. No. 411596; described in Chien, *Protecting Domestic Industries*, 28 SANTA CLARA COMPUTER & HIGH TECH. L.J. 169 at nn. 95-99.

⁷¹ 19 U.S.C. § 1337(d)(1).

⁷² *Spansion*, 629 F.3d at 1358.

product, and whether or not the patentee practices the invention. Indeed, the statute directs the ITC to take the public interest into account every time it considers issuing a remedy.⁷³

Nonetheless, in the vast majority of § 337 cases, the International Trade Commission (“ITC”) finds that excluding goods does not threaten the public interest. Historically, the ITC has found that the public interest trumped exclusion in only three cases: car parts necessary for improved fuel efficiency, scientific equipment for nuclear physics research, and hospital burn beds. The unifying theme in those cases is that the products were necessary for something important (human health or some other nationally-recognized policy goal) and that no other supplier could meet demand in a commercially reasonable period of time. And none of those cases was decided in the last twenty-five years. More recently, the ITC has indicated that unless something is a drug or medical device it is unlikely to meet the public interest exception.

The reason seems to be that the ITC views enforcing patents as in the public interest, with the result that the public interest analysis starts out with a thumb on the scale in favor of the patentee. The Federal Circuit has accepted this approach. In *San Huan New Materials High Tech, Inc. v. International Trade Com'n*, the Federal Circuit affirmed the ITC’s imposition of a significant penalty, saying:

⁷³ See, e.g. 19 U.S.C. § 1337(d)(1) (covering exclusion orders) and § 1337(f)(1)(covering cease and desist orders). Indeed, we believe that the mandate that the ITC “shall” exclude articles “unless” one the public interest cautions otherwise, as a matter of statutory interpretation, requires their consideration, more so than it does the ITC’s remedy. See also, e.g. Commission Decision IN THE MATTER OF CERTAIN AUTOMATED MECHANICAL TRANSMISSION SYSTEMS FOR MEDIUM-DUTY AND HEAVY-DUTY TRUCKS AND COMPONENTS THEREOF, USITC Inv. No. 337-TA-503, Pub. No. 3934 at 11 (“Section 337(d) and (f) directs the Commission to consider public interest factors before issuing remedial orders, including the effect of any such remedial order on the “public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers.”).

Finally, addressing the “public interest” factor, the Commission determined that the public interest favors the protection of intellectual property rights and weighs in favor of a “significant penalty.”⁷⁴

And the court has interpreted the legislative history as supporting exclusion of infringing products:

The legislative history of the amendments to Section 337 indicates that Congress intended injunctive relief to be the normal remedy for a Section 337 violation and that a showing of irreparable harm is not required to receive such injunctive relief.⁷⁵

The Federal Circuit’s review of ITC remedies is deferential,⁷⁶ meaning that most of the substantive discussions of the public interest factor come from ITC decisions, not Federal Circuit decisions.

In the three cases the ITC has in fact denied injunctive relief, its focus has been on two factors: the public interest in health and welfare and the unavailability of alternatives. When the ITC has denied an exclusion order, both factors have been present.

The ITC first denied a remedy on the basis of the public interest exception in *In re Certain Automatic Crankpin Grinders*.⁷⁷ The ITC based its decision on the public interest in fuel efficiency, which automobile manufacturers claimed was put in jeopardy without access to the crankpin grinders. The ITC noted that the domestic industry could not meet the demand in a

⁷⁴ San Huan New Materials High Tech, Inc., et al. v. International Trade Commission, et al, 161 F.3d 1347 (Fed. Cir. 1998). *But cf.* Rosemount, Inc. v. U.S. Intern. Trade Com'n, 910 F.2d 819 (Fed. Cir. 1990) (examining section 1337(e); “We also agree with the Commission's rejection of the view that the public interest inevitably lies on the side of the patent owner because of the public interest in protecting patent rights, although that is one factor to consider and may be a dominant factor.”).

⁷⁵ *Spansion*, 629 F.3d at 1360.

⁷⁶ The Federal Circuit reviews “the Commission's action in awarding injunctive relief as to whether it is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.” *Spansion, Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331, 1358 (Fed. Cir. 2010).

⁷⁷ USITC Inv. No. 337-TA-60, 205 U.S.P.Q. 71, 0079 WL 419349 (Dec. 17, 1979).

reasonable length of time and that the President and Congress had a clearly established policy of increasing fuel economy. The existence of a major oil crisis in 1979 probably contributed to the decision.⁷⁸

Something similar occurred the following year in *In re Certain Inclined-Field Acceleration Tubes*.⁷⁹ There, the Commission was confronted with claims of public interest in “pure scientific research and the advancement of knowledge” in the context of federally-funded nuclear research. The ITC concluded that the infringing Dowlish tubes were “greatly superior” and “substantially less expensive” than their counterparts, and that they were “indispensable” to research, and that research was in turn in the public interest.⁸⁰ Thus, as in *Crankpin*

⁷⁸ The Commission wrote:

The primary reason for our determination is that the domestic industry cannot supply the demand for new orders of the patented product within a commercially reasonable length of time.

. . .

In view of the fact that Congress and the President have also clearly established a policy requiring automotive companies to increase the fuel economy of the automobiles they produce and that some of these companies are encountering difficulties in obtaining automatic crankpin grinders on a timely basis, to produce the statutorily mandated energy efficient automobiles, we believe that it is not in the public interest to provide a remedy in this case. In this period of rapid changes in the energy field, there are overriding public interest considerations in not ordering a remedy which will hamper the supply of energy efficient automobiles. This is not merely a matter of meeting the demands of individual consumers for fuel efficient automobiles. The public as a whole has an interest in conserving fuel through the provision of energy efficient alternatives represented in this case by automobiles with more efficient engines which are produced with the assistance of crankpin grinders which are the subject of this investigation.

⁷⁹ USITC Inv. No. 337-TA-67, 0080 WL 594319 (Dec. 1980).

⁸⁰ The Commission wrote:

We believe that basic scientific research, such as the nuclear structure research conducted with inclined-field acceleration tubes, is precisely the kind of activity intended by Congress to be included when it required the Commission to consider the effect of a remedy on the public health and welfare. . . . Although there are few indications in the record of practical applications for unclear [sic] structure physics, it shows that the tubes at Los Alamos are used for unclear [sic] weapons development and the University of Arizona uses them as mass spectrometers for carbon 14 dating, essential to paleontological and archaeological applications. Many scientists would

Grinders, the Commission believed both that the public needed the infringing products for health and welfare reasons and that the products wouldn't be available if it granted the exclusion order.

The final case in which the Commission denied an exclusion order is *In re Certain Fluidized Supporting Apparatus and Components Thereof*.⁸¹ Unlike the other two, this case involved denial of temporary relief under § 1337(e). The ITC noted that this allowed it more discretion in framing a remedy, just as district courts have more freedom to deny preliminary injunctions. The technology in *Fluidized Supporting Apparatus* was hospital burn beds. The ITC concluded that the infringing beds “provide[d] benefits unavailable from any other device or method of treatment” and that other suppliers could not meet the demand within a reasonable time. The Commission affirmed the ALJ’s finding that “if a temporary exclusion order were issued some patients might not have access to burn beds at all in the interim period,” both

argue, of course, that basic research is intrinsically beneficial regardless of immediate practical application. The support of universities and public agencies is ample support for that proposition.

...

Finally, the President and the Congress have issued declarations of support for basic science research. The National Science Foundation Act, which supports with grants much of the research done with both the domestic and imported tubes, is codified in title 42, United States Code, which is entitled Public Health and Welfare.

...

The users consider the Dowlish tube to be greatly superior in performance to the High Voltage tube—not to mention substantially less expensive—and therefore indispensable to their research efforts. The tubes provide the greater stability of operation and more consistent results essential for accurate research.

...

Once the importance of basic research in nuclear structure physics is established, we are faced with a difficult balance—the impact of a remedy on users of the imported device versus the impact of the violation on the owner of the patent. After weighing these considerations, we determine that public interest factors preclude a remedy in this investigation.

⁸¹ USITC Inv. No. 337-TA-182, 337-TA-188, 225 U.S.P.Q. 1211, 1984 WL 63741 (Oct. 5, 1984).

because of the patentee's higher prices and because of concerns about the ability of the patentee to meet manufacturing demand. Unlike the others, this case focused more on the public interest in health than on unavailability, but the Commission did find at least partial unavailability.

In contrast to these cases, the Commission has regularly rejected public interest arguments when it found either that alternative suppliers could provide comparable products or that the products were not critical to public health and welfare. For example, the Commission has recognized the public interest in supplying consumers with needed drugs. However, it has held that if the patentee can supply all domestic demand, there is not a public interest problem even if the patentee would satisfy the demand only at a higher price.⁸² Significant public health interests, then, aren't enough unless coupled with unavailability.

On the other end of the spectrum, the Commission has also held that the unavailability of equivalent products is insufficient grounds to refuse an exclusion order when there is no reason to think there is an important health or welfare interest in the products. In *Certain Hardware Logic Emulation Systems*, the respondent argued that while the patentee provided

⁸² "There is, of course, an additional public interest in maintaining an adequate supply of pharmaceuticals for U.S. consumers. This interest also does not bar relief. Bristol has sufficient capacity and resources to satisfy all domestic demand for cefadroxil, as it had until respondents entered the market in March 1989. Moreover, the availability of other cephalosporins will not be affected by the issuance of relief. The record indicates that Bristol perceives a number of these cephalosporins to be competitive with cefadroxil; that at least one of the competitive cephalosporins, cephalexin, is available in generic form; and that, even if generic cefadroxil were unavailable, [***] [omission in original]. The record consequently refutes respondents' contention that granting relief will somehow deprive the ill and indigent of necessary medication. The only remaining argument respondents make is that granting relief will raise prices to consumers. The Commission has previously held that this alone is not sufficient grounds for denying relief." IN THE MATTER OF CERTAIN CRYSTALLINE CEFADROXIL MONOHYDRATE, PUBLIC DISCLOSURE VERSION: COMMISSION OPINION ON THE ISSUE UNDER REVIEW, AND ON REMEDY, THE PUBLIC INTEREST, AND BONDING, USITC Inv. No. 337-TA-293, 1990 WL 10008086 (March 21, 1990).

hardware logic emulators, they were not of the same quality as the respondent's emulators.

The Commission rejected that argument, not by disagreeing with the factual claim, but by concluding that emulators weren't critical to the public interest:

hardware logic emulators are not the type of product that has in the past raised public interest concerns (such as, for example, drugs or medical devices) and we are not aware of any other public interest concern that would militate against entry of the remedial orders we have determined to issue.⁸³

Thus, it seems to be the confluence of both the unavailability of alternatives and the important nature of the products that leads the Commission to deny an exclusion order.⁸⁴

The result might not seem particularly encouraging for the use of the public interest exceptions to combat patent holdup. Patent holdup tends to occur in complex, multi-component products, particularly in the information technology industries. Holdup is a greater risk in those industries not only because there are more patents asserted in those industries, but also because those patents tend to cover small parts of a much larger product.⁸⁵ A patent that covers the active ingredient in the drug gives the patentee the right to prevent the sale of that drug; that isn't holdup, but the normal right of the patentee to exclude infringing products.

⁸³ IN THE MATTER OF CERTAIN HARDWARE LOGIC EMULATION SYSTEMS AND COMPONENTS THEREOF, COMMISSION OPINION ON REMEDY, THE PUBLIC INTEREST, AND BONDING, USITC Inv. No. 337-TA-383, 1996 WL 1056217 (October 15, 1996).

⁸⁴ See also IN THE MATTER OF CERTAIN TOOTHBRUSHES AND THE PACKAGING THEREOF, COMMISSION OPINION ON REMEDY, THE PUBLIC INTEREST, AND BONDING, USITC Inv. No. 337-TA-391, 1997 WL 803475 (October 15, 1997) ("the public interest favors the protection of U.S. intellectual property rights, the U.S. market for toothbrushes of the type at issue could be supplied by complainant or by noninfringing alternatives, and toothbrushes are not the type of product that have in the past raised public interest concerns (such as, for example, drugs or medical devices)."); CERTAIN PROCESSES FOR THE MANUFACTURE OF SKINLESS SAUSAGE CASINGS AND RESULTING PRODUCT, INVESTIGATION NO. 337-TA-148/169; REVIEW OF INITIAL DETERMINATION, REMEDY, BONDING, AND THE PUBLIC INTEREST, USITC GC-84-187, 1984 WL 273326 (November 9, 1984) ("Sausage casings are not an essential item for the preservation of the public health and welfare").

⁸⁵ See, e.g., Mark A. Lemley, *Ten Things to Do About Patent Holdup of Standards (and One Not To)*, 48 B.C. L. REV. 149 (2007).

By contrast, a patent on a particular circuit layout may constitute only a tiny fraction of the value of the microprocessor that uses the layout, but an exclusion order will exclude the microprocessor as a whole, preventing the defendant from importing both the (small) infringing element and the (much larger) non-infringing elements. The social harm in the latter case is disproportionate to the social benefit, as many productive, non-infringing components are shut down to give the patentee control over only a single small component. The ITC cases applying the public interest exception, however, have generally not found much of a public health and welfare interest in IT products, where the holdup problem is most acute.

Nonetheless, there are reasons to think the application of the public interest factors going forward may be broader than they have been in the past. To begin, it is worth noting that the ITC has traditionally focused most of its attention on only a subset of the statutory factors. Commission cases pay close attention to the effect of such exclusion upon the public health and welfare and the production of like or directly competitive articles in the United States. But they have paid very little attention to competitive conditions in the United States economy and to the effect on United States consumers.⁸⁶

⁸⁶ Congress indicated that competitive conditions were intended to be an important part of the public interest analysis. From the legislative history:

“ The Committee believes that the public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute. Therefore, under the Committee bill, the Commission must examine (in consultation with the other Federal agencies) the effect of issuing an exclusion order or a cease and desist order on the public health and welfare before such order is issued. Should the Commission find that issuing an exclusion order would have a greater adverse impact on the public health and welfare; on competitive conditions in the United States economy; on production of like or directly competitive articles in the United States; or on the United States consumer, than would be gained by protecting the patent holder (within the context of the U.S. patent laws) then the Committee feels that such exclusion order should not be issued. This would be

The mix of cases before the Commission has changed. When a domestic company is suing a foreign counterfeiter, the public interest is clear: ban the importation. However, this type of case is becoming less and less common – only 12% of ITC cases fit the prototypical profile of a domestic plaintiff suing a foreign defendant.⁸⁷ Cases brought against “knockoffs” are also comparatively rare – 58% of cases were brought against public companies, who are, for reasons of reputation and brand, unlikely to fit in the category of “counterfeiters.”⁸⁸ More cases are fitting the competitor vs. competitor or troll profile.⁸⁹

In the wake of *eBay* and various changes to the ITC statute and case law, non-practicing entities are flocking to the ITC, both because of the relaxed domestic industry requirement and because courts are no longer a sure bet for injunctions. The cases they are bringing disproportionately involve complex, multi-component technologies.⁹⁰

As a result, the balance of public interest factors is different today than it traditionally has been. First, one of the factors that the Commission has always considered important – will another company fill the gap created by exclusion – is less likely to be satisfied when the complainant is a non-practicing entity. That is especially true when the patentee complains against a host of companies at once, as is often the case in troll actions (see Appendix and Part

particularly true in cases where there is any evidence of price gouging or monopolistic practices in the domestic industry.

S. Rep. No. 93-1298, 93rd Cong., 2d Sess. 197 (1974).

⁸⁷ Chien, *Patently Protectionist*, *supra* note ____ at 89, Table 5.

⁸⁸ *Id.* p. 92 table 4.

⁸⁹ *See supra* note ____.

⁹⁰ Eighty-six percent of ITC cases filed by NPEs between 2005 and 2011 were in high-tech sectors. Michael Kallus and James Conlon, *International Trade Commission: The Second Theater*, RPX Corp. 10/24/11 Presentation, slide (on file with author) (showing that 86% of ITC NPE cases involved mobile communications, semiconductors, consumer electronics, networking, e-commerce, technologies), in contrast to ITC cases in general, 63% of which involved these sectors.

I, Figure X). If the patentee claims that the entire industry infringes, there is no one exempt from the exclusion order available to fill market demand.⁹¹

Second, both competitive conditions and consumers are affected to a greater degree by the grant of exclusion orders in complex multi-component cases than was true in traditional counterfeiter cases. The effect is not just on the supply of the infringing feature, but also on the price and supply of non-infringing features and functionalities, customers and third parties that rely on these non-infringing features, and – through the mechanism of holdup – on the research and development activities of the defendants and of companies who make the noninfringing components.⁹² Patent holdup was not a feature of most ITC actions until recently, both because they weren't filed by NPEs against an entire industry and because they weren't usually filed against complex, multi-component products. The changed circumstances permit the ITC to take a different approach.

There is some reason to think the ITC may be open to rethinking its public interest case law. In 2011, the ITC incorporated public interest considerations into its decision, not to deny, but to delay the start of an exclusion order in a case involving smartphones.⁹³ Around that time,

⁹¹ The issue is more complex when the patentee sues an entire industry but settles with some parties before trial. In that case, the settlement means that there are in fact some parties who can sell licensed products if an exclusion order issues. But it would seem odd to say that whether a patentee can exclude defendants should depend on whether other defendants choose to go to trial. District courts after *eBay* have been unwilling to view nonexclusive licenses granted in settlement of patent disputes as evidence of irreparable injury justifying injunctive relief, *see* *z4*, 434 F. Supp. 2d at 437; the same logic might apply here.

⁹² *See, e.g.* Cease and Desist order in Broadband Base Processors, Inv. No. 337-TA-543 (restricting Qualcomm's research, development, and testing of broadband base processors) discussed in Commission Decision at 154.

⁹³ Order in 337-TA-710, Personal Data and Mobile Communications Devices and Related Software (December 12, 2011); *see also* Colleen V. Chien and Mark A. Lemley, *Patents, Smartphones, and the Public Interest*, N.Y. TIMES (Op-Ed) December 5, 2011 (recommending this very tailoring remedy in that case).

the ITC has changed its rules to allow an administrative law judge, under Commission order, to take evidence on the public interest at the outset of a case, rather than waiting until the end.⁹⁴ This information could be used to identify likely remedies earlier in the proceedings, leading to the more efficient resolution of cases.

We applaud this new-found flexibility. In the next Part, we offer specific suggestions for how the Commission could update the public interest considerations for the new, post-*eBay* world.

III. Tailoring, Bonding, and Pausing in the Public Interest

Remedies in the ITC might seem to be an all-or-nothing affair. The ITC can't award damages; it can only exclude products. As a result, even judges and Commissioners who believe an exclusion order is not in the public interest might hesitate to apply the public interest standard to deny relief, for fear that the result will be that the patentee wins its case but gets no remedy at all. That fear has always been somewhat overstated; patentees can file suit in district court in parallel with the ITC (and do, two-thirds of the time⁹⁵), and they may be entitled to an award of damages in court even if neither the ITC nor the court enjoins the sale of the defendant's product.⁹⁶ But that may be cold comfort to patentees who will have wasted

⁹⁴ Rules of Adjudication and Enforcement, 19 CFR Part 210, http://www.usitc.gov/secretary/fed_reg_notices/rules/finalrules210.pdf.

⁹⁵ Chien, *Patently Protectionist*, *supra* note 8, at ____.

⁹⁶ In the case of co-pending ITC and district court cases, the district court case shall be stayed upon a timely request. See 28 U.S.C. § 1659(a) ("district court shall stay, until the determination of the Commission becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission."). While the ITC's findings are not accorded res judicata by the courts, *Texas Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558 (Fed. Cir. 1996), in practice, the default assumption is that district courts are to reach a similar result on the same claims and explain and distinguish the ITC decision if they don't.

the time and effort of going to the ITC only to have the Commission give it no remedy. And the Commission may understandably be reluctant to condemn itself to seeming irrelevance.

In fact, however, we think the Commission has more flexibility in remedies than previously recognized. Historically, the ITC has used this flexibility at several points to restrict the relief given to patentees. In 1981, the Commission created the limited exclusion order to supplement the remedy of a general order, as “a limitation on the relief afforded a prevailing complainant.”⁹⁷ It did so while determining the proper scope of an injunction even though “Congress has never specifically authorized the Commission to issue limited exclusion orders as the final remedy in a section 337 investigation.”⁹⁸ In the *EPROMs* case, the Commission devised a special, 9-factor test to apply when so-called “downstream products”, products that incorporated the infringing component, were implicated by an exclusion order.⁹⁹ This test

⁹⁷ As recounted in 337-TA-276, *EPROMs*, n. 159. (“[T]he limited exclusion order is itself a limitation on the relief afforded a prevailing complainant, created by the Commission without specific authority in the statute. Congress has never specifically authorized the Commission to issue limited exclusion orders as the final remedy in a section 337 investigation, although it has specifically authorized them when directed at defaulting respondents. Nevertheless, the Commission has been issuing limited exclusion orders since 1981. In light of the extensive attention devoted to section 337 in the past two years, resulting in the amendments effected by the OTCA, we believe it is reasonable to infer Congressional acquiescence in the Commission's practice of issuing limited exclusion orders from Congress' silence on the matter. This is particularly so, since with respect to remedy matters, Congress noted the Commission's belief that it was precluded from issuing both exclusion and cease and desist orders with respect to the same unfair act, and provided specific authority for the Commission to do so, presumably in order to expand the extent of relief available to a prevailing complainant. Had Congress objected to the issuance of limited rather than general exclusion orders as insufficient relief, it would presumably have acted to limit the Commission's authority to issue such orders.”)

⁹⁸ 337-TA-276, *EPROMs*, pp. 125-128. In general, an administrative agency's latitude to craft appropriate remedies, while not unlimited, is broad. *Jacob Siegel Co. v. Federal Trade Comm'n*, 327 U.S. 608,613 (1946) (“the courts will not interfere except where the remedy selected has no reasonable relation to the unlawful practices found to exist”).

⁹⁹ *EPROMs*, *supra* note 94 at 124-126. “The nine EPROM factors require the ITC to evaluate:

(1) the value of the infringing articles compared to the value of the downstream products in which they are incorporated;

reflects, in large part, a concern about the proportionality of the ITC remedy to the “wrong” of patent infringement as reflected in Factor 1 (the value of the infringing articles compared to the value of the downstream products in which they are incorporated), Factor 3 (the incremental value to the complainant of the exclusion of downstream products), Factor 4 (the incremental detriment to respondents of exclusion of such products), and Factor 5 (the burdens imposed on third parties resulting from exclusion of downstream products). When the value of the invention is small compared to the value of the enjoined article that incorporates that invention downstream, the ITC has paused to consider whether and what type of injunction is deserved. Today’s component cases raise the same concerns about the undue interference.

Although the *EPROMs* standard has arguably diminished in importance with the Federal Circuit’s *Kyocera* decision,¹⁰⁰ the concerns that prompted it endure. High-tech component cases are now the norm at the ITC: eighty-six percent of ITC cases filed by NPEs between 2005 and 2011 were in high-tech sectors.¹⁰¹ In this section, we suggest some ways in which the ITC can

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- (2) the identity of the manufacturer of the downstream products, i. e., whether it can be determined that the downstream products are manufactured by the respondent or by a third party;
 - (3) the incremental value to the complainant of the exclusion of downstream products;
 - (4) the incremental detriment to respondents of exclusion of such products;
 - (5) the burdens imposed on third parties resulting from exclusion of downstream products;
 - (6) the availability of alternative downstream products that do not contain the infringing articles;
 - (7) the likelihood that the downstream products actually contain the infringing articles and are thereby subject to exclusion;
 - (8) the opportunity for evasion of an exclusion order that does not include downstream products; and
 - (9) the enforceability of an order by Customs.”

¹⁰⁰ At least as applied to the exclusion of downstream products through a limited exclusion order, which *Kyocera* prohibited. *Kyocera*, *supra* note 92.

¹⁰¹ Kallus, *supra* note ____.

use its discretion to craft remedies consistent with the statute’s public interest provisions and the Commission’s *EPROMs* test.

Much of that flexibility results from the statute, which gives the ITC broad discretion to fashion an appropriate remedy.¹⁰² The Federal Circuit is largely deferential to the ITC’s remedy determinations, reversing them only when they are “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.”¹⁰³ This standard of review is less stringent than the one that applies to the ITC’s substantive patent law determinations.¹⁰⁴

The structure of the ITC process also provides some flexibility. Once the Commission finds a violation, it is entitled to enter an exclusion order keeping infringing products out of the market. In some circumstances, the Commission holds a separate hearing after a liability finding to determine whether and what particular form of injunctive relief is appropriate. Assuming it is (and as noted above, the Commission essentially always finds that it is), the order

¹⁰² See 19 U.S.C. § 1337(c) (“Commission determinations [] with respect to its findings on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the amount and nature of bond, or the appropriate remedy shall be reviewable in accordance with [5 U.S.C. § 706].”), and *Hyundai Elecs. Indus. Co. v. Int’l Trade Comm’n*, 899 F.2d 1204, 1208 (Fed.Cir.1990) (finding, based on a review of section 337 legislative history, that 5 USC 706 2(A) governs the Federal Circuit’s review of ITC remedy determinations.); 5 U.S.C § 706 2(A) (“The reviewing court shall...hold unlawful and set aside agency action, findings, and conclusions found to be (A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.”). *Accord*, *Spansion, Inc. v. Int’l Trade Comm’n*, 629 F.3d 1331, 1358 (Fed. Cir. 2010) citing *Epistar Corp. v. Int’l Trade Comm’n*, 566 F.3d 1321, 1333 (Fed. Cir. 2009).

¹⁰³ *Spansion*, 629 F.3d 1331 at 1358; *accord* *Epistar Corp. v. Int’l Trade Comm’n*, 566 F.3d 1321, 1333 (Fed. Cir. 2009); *Hyundai Elecs. Indus. Co. v. Int’l Trade Comm’n*, 899 F.2d 1204 (Fed. Cir. 1990). See also *Kyocera Wireless Corp. v. International Trade Commission*, 545 F.3d 1340, 1355 (Fed.Cir.2008) (applying the framework established by *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 104 S.Ct. 2778, 81 L.Ed.2d 694 (1984) to an ITC order, and stating that if “the statute in question is ambiguous and the agency’s interpretation is reasonable,” “a court must defer to an agency’s construction of a statute governing agency conduct.”).

¹⁰⁴ *Id.* at 1208 (“Congress [] desire[d] to subject Commission determinations on the public interest [] bonding, and remedy, to a less stringent standard of judicial review than determinations of substantive violations of section 337.”).

is then subject to a 60-day Presidential review period.¹⁰⁵ But the exclusion order goes into effect immediately – *before* the Presidential review period – unless the respondent posts a bond adequate to compensate for sales made during the review period.¹⁰⁶ And once the Commission’s order is final, the respondent can appeal to the Federal Circuit.

This process creates three remedies less harsh than simply excluding the products but more powerful than simply denying an injunction. First, the ITC can decide *what* its exclusion order will cover. That is to say, it can choose, and indeed, has chosen, to include certain products, and exclude others in its orders. Second, the ITC can decide *when* it will implement its exclusion order. It doesn’t have to choose between immediately enjoining the product or doing nothing; it can delay the order or apply it only prospectively. Finally, the ITC can use its statutory authority to set a bond to permit continued importation during the review period, but condition that importation on the payment of money. Small tweaks to these aspects of how the ITC awards injunctions can potentially yield big benefits to the public interest, as we explain below.

¹⁰⁵ 19 U.S.C. § 1337(j)(2) (“If, before the close of the 60-day period beginning on the day after the day on which he receives a copy of such determination, the President, for policy reasons, disapproves such determination and notifies the Commission of his disapproval, then, effective on the date of such notice, such determination and the action taken under subsection (d), (e), (f), (g), or (i) of this section with respect thereto shall have no force or effect.”).

¹⁰⁶ 19 U.S.C. § 1337(e)(1) (“The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry, except that such articles shall be entitled to entry under bond prescribed by the Secretary in an amount determined by the Commission to be sufficient to protect the complainant from any injury. If the Commission later determines that the respondent has violated the provisions of this section, the bond may be forfeited to the complainant.”); *id.* § 1337(j)(3) (“articles directed to be excluded from entry under subsection (d) of this section or subject to a cease and desist order under subsection (f) of this section shall, until such determination becomes final, be entitled to entry under bond prescribed by the Secretary in an amount determined by the Commission to be sufficient to protect the complainant from any injury. If the determination becomes final, the bond may be forfeited to the complainant. The Commission shall prescribe the terms and conditions under which bonds may be forfeited under this paragraph.”).

A. Grandfathering and Tailoring Injunction Scope

19 U.S.C. §1337 (d) directs the Commission to exclude infringing articles unless public interest concerns dictate otherwise. Read with an eye towards tailoring, the provision essentially requires the Commission to fashion its exclusion order so that it will pass public interest muster. An exclusion order tells a company to stop importing its product. But it is a remedy whose harshness can be softened, for example, if existing models or units are grandfathered in. When the product remains available in some form, and the exclusion order is applied to future versions or units of the product, consumers and competition are less likely to suffer.

These types of public interest concerns have led the ITC to engage in just this kind of tailoring. In *Certain Baseband Processors*, the Commission found that the requested exclusion order was “not permitted in [the] investigation” due to the potential harm to third parties.¹⁰⁷ However, the Commission adjusted the scope of the exclusion order by grandfathering in existing models of handsets.¹⁰⁸ The exemption enabled the exclusion order to “adequately address public interest concerns”¹⁰⁹ and the Commission to issue the exclusion order.

The Commission has tailored exclusion scope in other cases as well. In *Personal Data and Mobile Communications Devices*, the Commission grandfathered refurbished replacement handsets into its exclusion order.¹¹⁰ In *Sortation Systems*¹¹¹ and *Transmission Trucks*,¹¹² the ITC

¹⁰⁷ Commission Decision in *Certain Baseband Processors* TA-543-337, *supra* note ____, at 83.

¹⁰⁸ *Id.* at 150-1.

¹⁰⁹ *Id.* at 150.

¹¹⁰ Commission Decision in *Personal Data and Mobile Communications Devices* TA-710-337, *supra* note ____, at 83. (“HTC will be permitted to import into the United States [for a year][] refurbished handsets to be provided to consumers as replacements”).

¹¹¹ *Certain Sortation Systems, Parts Thereof, and Products Containing Same; Notice of Violation of Section 337 of the Tariff Act of 1930 and Issuance of Limited Exclusion Order*, 68 Fed. Reg. 5047 (Jan. 31,

exempted from its exclusion order spare parts to service existing systems and facilities, citing the exemption in its public interest analysis.¹¹³ We believe it could use grandfathering and related exemptions in appropriate circumstances to protect consumer access to the noninfringing portions of a complex, multicomponent product.

B. Delay

The Commission may also choose in certain circumstances to delay the exclusion order.¹¹⁴ The Commission normally imposes an exclusion order immediately, though as noted above, the respondent can effectively stay that injunction for 60 days by posting a bond. The respondent may also be able to obtain a stay of the exclusion order pending appeal to the Federal Circuit. But even if neither occurs, the Commission has the power to delay the implementation of the exclusion order for a period of time. It could do so to give the respondent time to design around the patent or substitute non-infringing products for goods in the pipeline, or to ensure that consumers don't go without products until the patentee can ramp up production.

Delaying injunctive relief has the potential to significantly ameliorate the holdup problem. As Mark Lemley and Carl Shapiro have shown, holdup is a result of two factors: the

2003) ("The Commission determined to include an exemption in the limited exclusion order for importations of spare parts for United Parcel Service's Hub 2000 facility in Louisville, Kentucky.").

¹¹² Certain Automated Mechanical Transmission Systems for Medium-Duty and Heavy-Duty Trucks, and Components Thereof, Termination of Investigation; Issuance of a Limited Exclusion Order and a Cease and Desist Order, EDIS Doc. ID. 228343, USITC Inv. No. 337-TA-503 (Apr. 7, 2005) ("The limited exclusion order does not cover parts necessary to service infringing automated mechanical transmission systems installed on trucks prior to the issuance of the order.")

¹¹³ IN THE MATTER OF CERTAIN AUTOMATED MECHANICAL TRANSMISSION SYSTEMS FOR MEDIUM-DUTY AND HEAVY-DUTY TRUCKS AND COMPONENTS THEREOF USITC Inv. No. 337-TA-503, ___ 2007 WL 4473082, __ (August 2007) (Com'n Decision).

¹¹⁴ Commission Decision in *Personal Data and Mobile Communications Devices TA-710-337*, *supra* note ___, at 81. ().

fact that an injunction will prevent the sale of noninfringing as well as infringing components in a complex multi-component product and the fact that roughly ¾ of litigated patents are either invalid or not infringed.¹¹⁵ The fact that the injunction will shut down non-infringing matter means that it costs the respondent more than the patent itself is worth.¹¹⁶ Rather than pay that extra cost in settlement, the respondent will sometimes design around the patent to avoid the effect of an injunction. But because most patent suits lose, most advance design-arounds are wasted effort. The patentee can capture in settlement the cost of design-around, even if the patent is likely to be invalid or not infringed.¹¹⁷

Delaying onset of the injunction or exclusion order changes that dynamic. As Lemley and Shapiro show, respondents who can count on a delay to allow them to design around the patent don't need to invest in unnecessary design-arounds to avoid the risk of injunction holdup. As a result, they don't need to pay the owners of weak patents a premium to avoid spending the money on design-arounds. They can design around the patent only if it becomes necessary to do so. Design-arounds take time – not only to devise, test, and implement in the manufacturing process, but sometimes also to gain necessary regulatory approvals. With a transition period, the abruptness of pulling a product from the market is eased.

¹¹⁵ Lemley & Shapiro, *supra* note __. A number of scholars have tried to attack this holdup analysis. See Einer Elhauge, *Do Patent Holdup and Royalty Stacking Lead To Systematically Excessive Royalties?*, 4 J. COMPETITION L. & ECON. 535 (2008); John M. Golden, *"Patent Trolls" and Patent Remedies*, 85 TEX. L. REV. 2111 (2007); J. Gregory Sidak, *Holdup, Royalty Stacking, and the Presumption of Injunctive Relief for Patent Infringement*, 92 MINN. L. REV. 714 (2008). But those attacks miss the mark; rather than demonstrate that holdup doesn't exist, these scholars have uniformly argued that patentees *deserve* the holdup value of their patents. See Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking: Reply*, 85 TEX. L. REV. 2163 (2007); Thomas M. Cotter, *Patent Holdup, Patent Remedies, and Antitrust Responses*, 34 J. CORP. L. 1151 (2009).

¹¹⁶ Mark A. Lemley & Philip J. Weiser, *Should Property or Liability Rules Govern Information?*, 85 TEX. L. REV. 783 (2007)

¹¹⁷ Lemley & Shapiro, *supra* note __.

A limited delay to allow design-around has another benefit as well – it can help distinguish between patents that really are critical and those that aren't. Giving a respondent, say, six months to design around the patent provides a sort of acid test of the claim that the patent is in fact necessary to practice the invention. If the respondent can design around the patent in six months, the invention it embodies arguably wasn't that valuable, and it probably isn't worth holding up the entire product for a patent that was essentially optional. By contrast, if the respondent can't design around the patent and still sell a product economically, the patent really is valuable, and arguably we should worry less about the risk of holdup caused by the exclusion order.

Patentees might object that delaying the injunction is unfair to them, because if the respondent can design around the patent, the patentee ends up getting nothing. That's not entirely true; if the design-around costs more than the original product, the parties should be able to settle for the difference in value – which is really the value of the patent in the first place. And if the design-around is easy and just as cheap, the actual value of the patented technology is zero; any payment to the patentee in that case is a windfall.

The ITC has started to recognize the benefits of staying exclusion orders. In *Personal Data and Mobile Communications Devices*, the Commission found that the immediate exclusion of the infringing devices “would not be in the public interest” because of its impact on the defendant's competitiveness.¹¹⁸ A four-month period of exclusion, however, would provide time for replacement handsets to be devised and provided to customers. The Commission

¹¹⁸ Commission Decision in *Personal Data and Mobile Communications Devices* TA-710-337, *supra* note ____, at 83. (“HTC will be permitted to import into the United States [for a year][] refurbished handsets to be provided to consumers as replacements”.)

tailored its injunction accordingly, explaining that “competitive conditions in the United States do not weigh against issuance of the order, but favor providing a transition period.”¹¹⁹ As this case demonstrates, incorporating a delay allows the ITC to award exclusion orders where public interest might dictate otherwise. During the period of stay, there may be a way for patentees to be compensated for the value of their technology during the period of stay. That relates to the final area of remedial flexibility at the ITC – monetary relief.

C. Bonds and Penalties

Although the ITC doesn’t routinely award stays, it does routinely sanction the continued importation of an article even after it has been found infringing. That is because, while the ITC cannot award damages, 19 U.S.C. § 1337(j)(3) authorizes it to set a “temporary importation bond” – a bond that the respondent can post and continue importation under through the 60-day Presidential review period. The amount must be “sufficient to protect the complainant from injury,”¹²⁰ and is typically based on the difference in price between complainant’s product and the infringing imports.¹²¹ Requiring respondents to post a bond to delay implementation of the exclusion order pending the Presidential review period is effectively a payment of an ongoing royalty.

The President essentially never reverses an ITC decision,¹²² which means that respondents always forfeit the bond. They are paying an ongoing royalty for the privilege of continuing to sell their products for another 60 days. And if the bond is set correctly, it will

¹¹⁹ *Id.*

¹²⁰ 19 U.S.C. § 1337(j)(3).

¹²¹ Commission Decision in *Personal Data and Mobile Communications Devices TA-710-337*, *supra* note ____, at 85.

¹²² It has done so five times. *See, e.g.* Tom Schaumberg, ed. *A Lawyer’s Guide to Section 337 Investigations Before the US International Trade Commission* ABA-IP Section (2011), p 187 fn. 5.

mimic the amount of an ongoing royalty in district court: the value of the patent based on the number of goods sold.¹²³ There is no reason the ITC couldn't impose a delay longer than 60 days in exchange for payment of a comparably higher bond. It could stay the order pending appeal, for instance, subject to a bond.

The amount of the bond would depend on the equities of the case. In *Personal Data and Mobile Communications Devices*, where implementation of the exclusion order was delayed by four months, the ITC entered a bond amount of zero,¹²⁴ although in other cases it may be more.¹²⁵ Combining a delay in the implementation of an exclusion order with a bond compensating the patentee for the value of the invention during the period of delay allows the ITC to approximate the power a district court has to deny or stay injunctive relief while ordering payment of an ongoing royalty.¹²⁶ It will often be the best possible remedy, and certainly it is

¹²³ On the calculation of ongoing royalties in district court, see Mark A. Lemley, *The Ongoing Confusion Over Ongoing Royalties*, 76 Mo. L. Rev. 695 (2011).

¹²⁴ The opinion suggests that the amount could have been higher had Apple presented better evidence of the price differential. Commission Opinion in *Personal Data and Mobile Communications Devices*, *supra* note ___, at 85 (“Apple failed to satisfy its burden...”).

¹²⁵ The amount of the bond is often set at 100%. (see, e.g. Certain Radio Control Hobby Transmitters and Receivers and Products Containing Same, Limited Exclusion Order, USITC. Inv. No. 337-TA-763 (Sept. 27, 2011); Certain Birthing Simulators and Associated Systems, Limited Exclusion Order, USITC Inv. No. 337-TA-759 (Aug. 29 2011); Certain Toner Cartridges and Components Thereof, Cease and Desist Order, USITC Inv. No. 337-TA-740 (Sept. 27, 2011)) though this also seems like in many cases this would be far more than “sufficient to protect the complainant from injury,” especially when the invention is a small component of the infringing article.

One complication for bonding, both under our proposal and in existing practice, arises with the growth of NPEs at the ITC. If the patentee doesn't sell the patented invention, there is no price differential to use as a baseline to measure the value of the patent. But district courts confront the valuation problem all the time, and a variety of mechanisms economists use there for apportionment of the value of complex products may be used here to set the amount of a bond in an NPE case.

¹²⁶ The analogy isn't perfect; a bond is presumably set against the possibility of some contingent future event, however unlikely. The power to order payment of a bond might not extend to the power to order the payment of money directly to the complainant with no hope of recovery. But conditioning a bond on something like an appeal will generally achieve the same result.

preferable to the other apparent options – patent holdup by an immediate exclusion order or no remedy at all.

The ITC's authority to assess and impose civil penalties for violations of Commission orders provide another option for the ITC to provide a monetary component to its remedy, even in spite of its inability to award damages.¹²⁷ The ITC has been given wide latitude in setting penalties, which are reviewed for an abuse of discretion.¹²⁸ In *San Huan Materials High Tech, Inc. v. International Trade Commission*, the Federal Circuit endorsed the ITC's approach to setting penalties based on: "(1) the good or bad faith of the respondent; (2) any injury due to the infringement; (3) the respondent's ability to pay the assessed penalty; (4) the extent to which the respondent benefitted from its violations; (5) the need to vindicate the authority of the Commission; and (6) the public interest."¹²⁹ The Commission's approach to determining the amount of penalty "[takes] onto account the 'three overarching considerations enumerated by

¹²⁷ 19 U.S.C. § 1337(f)(2):

Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a *civil penalty* for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of \$100,000 or twice the domestic value of the articles entered or sold on such day in violation of the order. Such penalty shall accrue to the United States and may be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs.

¹²⁸ *Ninestar Tech. Co. v. ITC*, 2012 U.S. App. LEXIS 2435 at *5, *9 (Fed. Cir. 2012) ("Assessment of a civil penalty under 19 U.S.C. §1337(f) is reviewed on the standard of abuse of discretion)...[This means review for whether the ruling] (1) is clearly unreasonable, arbitrary, or fanciful; (2) is based on an erroneous conclusion of law; (3) rests on clearly erroneous fact findings; or (4) follows from a record that contains no evidence on which the decision-making body could rationally base its decision." Commission penalties may also trigger constitutional review if due process concerns are raised. *See id.* at *20.

¹²⁹ *Ninestar*, *supra* note ____, at *9, citing *San Huan New Materials High Tech, Inc. v. Int'l Trade Comm'n*, 161 F.3d 1347, 1362 (Fed. Cir. 1998) (also confirming that the ITC, rather than the solely district court, also has the authority to determine and enforce civil penalties).

Congress in the legislative history [of section 337(f)(2)], viz., the desire to deter violations, the intentional or unintentional nature of any violations, and the public interest.”¹³⁰ A commission interested in ensuring that patentees were compensated but unwilling to exclude products altogether might be able to use this authority to effectively “preannounce” the penalty for violating an exclusion order – in effect converting that penalty into a price to be paid for the importation of infringing goods.

D. Exercising Discretion Wisely

We think the ITC should exercise its remedial flexibility when the risk of holdup is substantial. That is likely when the defendant sells a multi-component product and the novel feature of the patent covers only a small part of that product.¹³¹ Different remedies might be appropriate in different situations:

- Switching costs are high once interoperable products are designed to work together (e.g. standards).¹³² In this case, grandfathering in of existing models can ameliorate the harms.
- The short-term impact on consumers is high in cases where switching, costly or not, imposes significant harm on customers who cannot get support or service for products

¹³⁰ San Huan, *supra* note ___, at 1362.

¹³¹ Patent claims will often be written to cover an entire product even though the patentee’s contribution is limited to a single small feature. The inventor of the intermittent windshield wiper, for instance, might claim a car with an intermittent windshield wiper. The Commission should focus on what the patentee actually contributed to the art, not the form in which the patentee chooses to write the claim. See Mark A. Lemley, *Point of Novelty*, 105 Nw. U. L. REV. __ (forthcoming 2012).

¹³² See, e.g. *Certain Baseband Processors* (p. 149: “As to competitive conditions in the U.S. economy, exclusion would likely result in some adverse impact on the development of advanced telecommunications technology and on expansion of broadband internet access. These technologies are important in their own right, but they also have significant effects on other economic activity in the United States. Downstream relief would make it more difficult for telecommunications companies to expand 3G cellular telephone services and broadband internet access, and make it more difficult for consumers, including businesses, to access these services”).

already sold. In this case, either a stay or an exception allowing service and spare parts might help solve these problems.¹³³

- Collateral damage to third parties who make noninfringing products may be high in multi-component cases because those third parties have already made irreversible investments. Grandfathering can help in some of these cases, but not all; bonding may be the best remedy in this circumstance.¹³⁴

Finally, it may be appropriate to consider three other factors in setting ITC remedies:

whether the patentee is a PAE, whether the defendant is a willful infringer, and whether the patent is standards-essential. While the statutory public interest factors are party-neutral,¹³⁵ the patentee's status as a PAE can influence the impact of an exclusion order to competition and consumers, since it affects the patentee's need for an injunction (a competitive condition) and, when many defendants are sued, the likelihood that consumers will have access to alternative products.

In a similar vein, we believe that standards-essential patents, in particular those that are subject to RAND or FRAND licensing obligations, should generally not be given injunctions by the ITC. The ITC has the power to reject an exclusion order where the respondent is licensed to

¹³³ (337-TA-710 at page 72).

¹³⁴ *Certain Baseband Processors*, p. 153 ("The potential harm to economic actors, in this case including handset manufacturers and telecommunications service providers, is properly part of our *EPROMs* analysis, and we have indeed fully weighed potential harm to third parties and to legitimate trade in that prior analysis.... In fact, under our *EPROMs* analysis, we found that full downstream relief was *not* permitted in this investigation due to, among other things, the magnitude of the impact on third parties... ." (ultimately concluding "a downstream remedy with a grandfathering exception does not raise public interest concerns [because] "the relief we propose has a much more limited impact on availability of 3G capable handsets, and thus a lesser impact on the public interest.")).

¹³⁵ In contrast, the domestic industry requirement is not, as currently interpreted by the ITC, party-neutral. NPEs do not need to prove the so-called technical prong that requires "articles protected by the patent." One of us has argued that this is inconsistent with the statute and its legislative history. See Chien, *Protecting Domestic Industries*, supra note ____ .

import the product.¹³⁶ Whether or not a RAND commitment to a standard-setting organization is an executable license,¹³⁷ we believe that competition and consumers would be disserved if patents promised to be available for licensing on fair and reasonable terms were the basis of an exclusion order. And if the suit is brought late in the product life-cycle, after a standard has been adopted,¹³⁸ switching costs to consumers and competitors will likely be higher.

At the same time, we don't want the absence of injunctive relief to encourage companies to copy and take their chances while infringing.¹³⁹ That isn't much of a problem in the IT industries today; the evidence suggests that virtually all patent cases are filed against innocent infringers, not copiers.¹⁴⁰ But proof of deliberate infringement should incline the Commission to look askance at claims that the defendant needs an opportunity to design around a patent; the intentional infringer presumably has had that opportunity already.¹⁴¹

We make one final suggestion related to procedure. One downside of increased tailoring of ITC exclusion orders is that it could lead to increased unpredictability as to the remedy, at least

¹³⁶ *Tessera, Inc. v. International Trade Comm'n*, 646 F.3d 1357 (Fed. Cir. 2011).

¹³⁷ For an argument that it is, see Lemley, *Standard Setting*, *supra* note __, at __.

¹³⁸ Research by Brian Love shows that NPEs tend to assert their patents late in the life of the patent, as compared to practicing entities, see Brian Love, *An Empirical Study of Patent Litigation: Could a Patent Term Reduction Decimate Trolls Without Harming Innovators?* (unpublished draft, on file with the authors), at __.

¹³⁹ Lemley & Shapiro, *supra* note __, at __.

¹⁴⁰ Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. REV. 1421 (2009).

¹⁴¹ We use the term "deliberate infringement" rather than "willfulness" here because patent law's willfulness doctrine varies in significant ways from what an ordinary observer would think of as purposeful conduct. Because willfulness is a continuing offense, patent law may designate someone willful merely because they didn't stop selling the product once sued. See Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 **Berkeley Tech. L.J.** 1085 (2003). That is not deliberate conduct in any normal sense. On the other hand, willfulness will not be found if the defendant's conduct was objectively reasonable, even if the defendant intended to infringe. *In re Seagate Tech.*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

in the short term. Currently, “Summary Determination” proceedings in the ITC¹⁴² rarely if ever happen on issues of remedy. But there is no reason why such motions couldn’t be brought. Indeed, the ITC’s recent move to allow for earlier briefing on public interest issues seems to support just this possibility.¹⁴³ If a case is not one in which an exclusion order is appropriate, it is better for all concerned to make that clear up front, before the parties litigate questions of validity and infringement unnecessarily.

IV. Conclusion

The *eBay* case has had the unintended consequence of driving patentees to the ITC in hopes of obtaining an injunction no longer available in district court. *eBay*’s four-factor test doesn’t apply at the ITC. But the Commission has more power to adjust the remedy it grants than commentators have previously recognized. We think it should use that flexibility to limit exclusion orders in circumstances where the patentee can hold up defendants. Delays in implementing the exclusion order and grandfathering in existing products can avoid holdup problems. Bond and penalty provisions can ensure that patentees are compensated for ongoing infringement during these transition periods. The resulting system won’t look exactly like *eBay*, but it will accomplish many of the same ends.

¹⁴² 19 CFR §210.18 prescribes the procedures that are used for Summary Determination. As subsection (b) describes:

The determination sought by the moving party shall be rendered if pleadings and any depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a summary determination as a matter of law.

¹⁴³ Rules of Adjudication and Enforcement, 19 CFR Part 210, http://www.usitc.gov/secretary/fed_reg_notices/rules/finalrules210.pdf.

Appendix A: ITC Investigations Brought by NPE Complainants, 2005-2011

Source: RPX Corporation © 2011, 2012; ITC website

Date Instituted	Title	Complainants	NPE	# of Respondents	# of Patents	Outcome
1/6/2005	Digital Processors	BIAX Corporation	Y	3	1	Settlement
3/29/2005	Color TV Receivers	Thomson Licensing S.A.	Y	2	1	Settlement
4/15/2005	Weather Stations	Richmond IP Holdings	Y	5	1	Complaint Withdrawn
8/5/2005	Male Prophylactic Devices	Portfolio Technologies	Y	3	1	No Violation Found
1/17/2006	Digital Processors	BIAX Corporation	Y	2	1	No Violation Found
11/3/2006	Stringed Instruments	Geoffrey McCabe	Y	3	1	No Violation Found
2/21/2007	Digital Cameras	St. Clair Intellectual Property Consultants	Y	1	5	Settlement
4/27/2007	3G WCDMA	InterDigital Communications Corporation	Y	1	1	Settlement
9/11/2007	3G Mobile Handsets	InterDigital Communications LLC	Y	1	1	No Violation Found
10/15/2007	Hard Disk Drives	Steven F. Reiber	Y	5	1	Complaint Withdrawn
3/25/2008	LEDs, Laser Diodes	Gertrude Neumark Rothschild	Y	40	1	Settlement, Complaint Withdrawn ; Consent Order

12/10/2008	Semiconduct or Chips	Rambus Inc.		14	6	Cease & Desist Order; Limited Exclusion Order
1/23/2009	Wireless Comm Devices	Saxon Innovations	Y	7	1	Settlement
3/31/2009	Handheld Wireless Devices	Saxon Innovations	Y	7	1	Settlement
4/4/2009	Wireless Comm. Devices	SPH America	Y	6	1	Complaint Withdrawn
4/6/2009	LED Chips	Gertrude Neumark Rothschild	Y	6	1	Settlement; Complaint Withdrawn ; Consent Order
10/9/2009	Hybrid Electric Vehicles	Paice LLC	Y	3	1	Settlement
1/5/2010	Authentication Systems Including Software and Handheld	Prism Technologies LLC	Y	1	1	Settlement
4/2/2010	Stringed Instruments	Geoffrey Lee McCabe	Y	4	4	Settlement
7/27/2010	Semiconductor Products	STC.UNM	Y	1	1	Settlement
10/18/2010	LCD Display Devices	Thomson Licensing SAS	Y	6	4	Ongoing
11/5/2010	Video Game Systems/Controllers	Motiva	Y	1	1	Ongoing

11/24/2010	Data Storage Products	Data Network Storage	Y	7	1	Complaint Withdrawn
11/30/2010	LCD Displays	Thomson Licensing SAS; Thomson Licensing LLC	Y	3	3	Ongoing
1/4/2011	Semiconductor Chips	Rambus Inc.	Y	28	6	Ongoing
5/19/2011	Motion-Sensitive Sound Effects Devices and Image Display Devices and Components and Products Containing Same	Ogma, LLC	Y	15	1	Ongoing
6/8/2011	Wireless Communication Devices and Systems	Linex Technologies, Inc.	Y	5	2	Ongoing
6/21/2011	Equipment for Communications Networks	MOSAID Technologies Inc.	Y	2	6	Ongoing
7/7/2011	Microprocessors	X2Y Attenuators, LLC	Y	3	5	Ongoing
7/18/2011	Motion-Sensitive Sound Effects Devices	Ogma, LLC	Y	12	2	Ongoing
8/1/2011	Certain Video Analytics Software ...	ObjectVideo, Inc.	Y	3	6	Ongoing

8/29/2011	Computer Forensic Devices	MyKey Technology	Y	9	3	Ongoing
8/31/2011	Wireless Devices with 3G Capabilities	InterDigital	Y	4	7	Ongoing
9/2/2011	Digital Photo Frames and Image Display Devices	Technology Properties Limited LLC	Y	18	4	Ongoing
9/7/2011	DRAM and NAND Flash Memory Devices	Intellectual Ventures	Y	14	5	Ongoing
9/14/2011	Devices for Improving Uniformity used in a Backlight Module	Industrial Technology Research Institute	Y	1	1	Ongoing
9/27/2011	Digital Photo Frames and Image Display Devices	Technology Properties Limited, LLC	Y	20	4	Ongoing
10/13/2011	Devices For Mobile Data Communication	Openwave Systems Inc.	Y	3	5	Ongoing
11/23/2011	Automotive GPS Navigation Systems	Beacon Navigation GmbH	Y	49	4	Ongoing
12/7/2011	Communication Equipment, Components Thereof, and Products Containing the Same,	ChriMar Systems, Inc.	Y	9	1	Ongoing

	Including Power Over Ethernet Telephones, Switches, Wireless Access Points, Routers and Other Devices Used in LANS, and Cameras					
12/7/2011	Devices with Secure Communication Capabilities	VinetX, Inc.	Y	1	1	Ongoing